

**REPUBLIC OF GUINEA  
MINISTRY OF ECONOMY AND FINANCE  
PERMANENT SECRETARIAT FOR THE POVERTY REDUCTION STRATEGY  
(SP/SRP)**

**SECOND PROGRESS REPORT ON THE POVERTY REDUCTION STRATEGY**



*Conakry, January 2006*

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## ACRONYMS AND ABBREVIATIONS

AGEVAL	<i>Association Guinéenne des Evaluateurs</i> (Guinean Association of Appraisers)
AN	<i>Assemblée Nationale</i> (National Assembly)
ANLC	<i>Agence Nationale de lutte contre la corruption et de moralisation des activités économiques et financières</i> (Anti-Corruption Agency)
AREDOR	<i>Association pour la Recherche et l'Exploitation de Diamant et de l'Or</i> (Diamond and gold research and exploitation association)
AVCS	<i>Agents vaccinateurs des Centres de Santé</i> (Health center vaccinators)
BCG	Tuberculosis vaccine
BCRG	<i>Banque Centrale de la République de Guinée</i> (Central Bank of the Republic of Guinea)
BG	<i>Basse Guinée</i> (Lower Guinea)
BND	<i>Budget National de Développement</i> (National Development Budget)
BOT	Build Operate Transfer
BTP	<i>Bâtiments et Travaux Publics</i> (Civil Construction and Public Works)
CAAF	<i>Centre d'Appui à l'Auto-promotion Féminine</i> (Women's self-advancement support center)
CDV	<i>Conseil et Dépistage Volontaire</i> (Voluntary detection and counseling)
CECOJE	<i>Centre d'Ecoute, de Conseils et d'Orientation pour les Jeunes</i> (youth counseling center)
CIC	<i>Cadre Intégré du Commerce</i> (Integrated trade framework)
CNLC	<i>Comité National de Lutte Contre la Corruption</i> (National Anti-corruption Committee)
CNO	<i>Centre National d'Orthopédie</i> (National orthopedics center)
CPM	<i>Comité de Passation des Marchés</i> (Procurement Committee)
CRD	<i>Communauté Rurale de Développement</i> (Rural Development Community)
CST	<i>Comité de Suivi des Travaux entièrement autonomes</i> (Independent works monitoring committee)
CTA	<i>Centre de Traitement Ambulatoire</i> (Outpatient Treatment Center)
DCE	<i>Direction Communale de l'Education</i> (communal education division)
DNPF	<i>Direction Nationale de la Promotion Féminine</i> (national directorate for the advancement of women)
DPE	<i>Direction Préfectorale de l'Education</i> (prefecture education division)
DTCP	Diphtheria, Tetanus, Whooping Cough and Polio
EDS	<i>Enquête Démographique et de Santé</i> (Demographics and Health Survey)
EFA	Education For All
EIBEP	<i>Enquête Intégré de Base pour l'Evaluation de la Pauvreté</i> (Integrated Core Survey for Poverty Assessment)
ENACOG	<i>Enquête Nationale sur la Corruption et la Gouvernance en Guinée</i> (national survey on corruption and governance)
EPI	Expanded Program of Immunization
ESB	<i>Enquête Situationnelle de Base</i> (baseline survey)
FENAG	<i>Fédération Nationale des Artisans de Guinée</i> (National Federation of Artisans)
FEPATOUR	<i>Fédération Patronale du Tourisme, de l'Hôtellerie et de la Restauration</i> (hotel and restaurant owners federation)
FINEX	<i>Financement Extérieur</i> (external financing)
GDP	Gross Domestic Product
GER	Gross enrollment rate
GNF	<i>Guinée Nouveau Franc</i> (New Guinean Franc)
GT	<i>Groupe thématique</i> (thematic group)

HG	<i>Haute Guinée</i> (Upper Guinea)
HIPC	Highly Indebted Poor Countries
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
INRAP	<i>Institut National de Recherche et d'Action Pédagogique</i> (national pedagogical research and action institute)
LFR	<i>Loi des Finances Rectificative</i> (supplementary budget)
MATD	<i>Ministre de l'Administration du Territoire et de la Décentralisation</i> (Minister of Local Administration and Centralization)
MDG	Millennium Development Goals
MEF	<i>Ministère de l'Economie et des Finances</i> (Ministry of Economy and Finance)
MEPU/EC	<i>Ministère de l'Enseignement Pré-universitaire/Education Civique</i> (Ministry of Pre-university and Civic Education)
MG	<i>Moyenne Guinée</i> (Middle Guinea)
MP/DNP	<i>Ministère du Plan/ Direction Nationale du Plan</i> (planning ministry/department)
MURIGA	<i>Mutuelles pour la prise en charge des risques liés à la grossesse et à l'accouchement</i> (pregnancy and childbirth risks associations)
NER	Net enrollment rate
NERICA	"New Rice for Africa"
NGO	Nongovernmental organization
OMVG	Organization for Development of the Gambia River
PAI	<i>Plan Annuel d'Investissement</i> (Annual Investment Plan)
PCIME	<i>Prise en Charge Intégrée des Maladies de l'Enfance</i> (integrated childhood disease care)
PDL	<i>Plan de Développement Local</i> (Local Development Plan)
PEPT	Education for All Program
PNLP	<i>Programme National de Lutte contre le Paludisme</i> (national malaria program)
PRCI	<i>Programme de Renforcement des Capacités Institutionnelles</i> (institutional capacity building program)
PRS	Poverty Reduction Strategy
PRSP	Poverty Reduction Strategy Paper
PTAF	<i>Programme Triennal d'Alphabétisation des Femmes</i> (three-year women's literacy program)
PTME	<i>Prévention de la transmission mère -enfant</i> (prevention of mother-child transmission)
SME	Small and medium-sized enterprise
SOGUIPAH	<i>Société Guinéenne de Production de Palmes et d'Hévéa</i> (rubber and palm producing company)
SSP	<i>Service Statistique et Planification de l'Education</i> (Educational statistics and planning service)
STD	Sexually transmitted diseases
TIDC	<i>Traitement par l'Ivermectine sous directives communautaires</i> (Ivermectin treatment under community directives)
UNDP	United Nations Development Programme
VAA	Yellow fever vaccine
VAR	Measles vaccine
VAT-2 +	Tetanus vaccine, second dose
VHB	Viral Hepatitis B
WAMZ	West African Monetary Zone

## Executive Summary

Conditions for implementing the Poverty Reduction Strategy were particularly difficult in 2004, and were marked by: (i) persistent insecurity in the subregion; (ii) low levels of investment in priority sectors, because of the weak mobilization of domestic resources and the sharp decline in external assistance (HIPC funding fell from GNF 81.9 billion in 2003 to GNF 25.17 billion in 2004); and (iii) falling prices for mining output, in particular for bauxite, the country's main export.

The outcomes achieved during fiscal year 2004 are a reflection of this constraining environment. Under the circumstances, no progress was made in reconciling the central government budget with the PRSP objectives.

**On the economic front**, growth rose from 1.2 percent in 2003 to 2.7 percent in 2004. This rate is well below the average rate of 5 percent established by the PRSP for the period 2002-2005. At December 31, 2004, fiscal revenues amounted to 10.5 percent of GDP, while primary current expenditure was held to 8.9 percent. **The budget deficit on a commitment basis (excluding grants)** was thus reduced to 5.9 percent of GDP from 7.9 percent of GDP in 2003.

This outcome was due to a series of measures that the government and its development partners undertook in March 2004, including: (i) strengthening of tax administration at all levels, (ii) the recovery of tax arrears, (iii) the elimination of exemptions, (iv) reduction of public spending to a minimum, and strict respect for budgetary spending procedures, (v) establishment of a commission for the recovery of tax arrears during the fourth quarter of 2004, and (vi) elimination of ad hoc exemptions and adoption of a law reducing budget allocations to nonpriority sectors.

It must be noted, however, that with the low level of external budgetary assistance, financing of the deficit could only be covered through borrowing from the domestic banking system, and through a considerable accumulation of external arrears, which stood at \$62.4 billion at the end of December 2004. Central bank credit to the central government, which was supposed to be 10 percent or less of 2003 current revenues, amounted instead to 27.3 percent. This exerted sharp pressure on both reserve money and broad money, which grew by 33 percent and 37 percent respectively and brought the Guinean economy's liquidity ratio to 16.5 percent.

The BCRG's foreign exchange reserves now stand at 1.5 months of imports, instead of the six months called for in the PRSP and the three months set as the key criterion for the WAMZ. The year-on-year inflation rate, which was to have been held at 5 percent or below, reached 27.6 percent.

Several State-owned enterprises were reformed during 2004 under the privatization program. Total fiscal revenues on this score during 2005 are expected to be GNF 16.898 billion. Under the associated worker support measures, separation allowances amounted to GNF 4.46 billion in 2004, compared with GNF 6.26 billion to December 2003. Training programs in microfinance and in starting a business were established for workers laid off by the reforms.

In the area of sectoral reforms, the private sector will have to be involved more heavily in managing water supply, transportation, electricity and telecommunications, through the establishment of attractive regulatory frameworks and management arrangements.

**In order to improve the macroeconomic environment and to attract substantial external financing, current efforts in fiscal, monetary and budgetary policy and in economic and political governance will have to be pursued rigorously and systematically.**

Significant progress has been made in improving **access to basic social services**.

**In education**, the quantitative results are generally positive. For example, the gross enrollment rate in primary school rose from 74 percent in 2002/2003 to 77 percent in 2003/2004, and the enrollment rate for girls went from 67 percent to 70 percent over that same period.

Current spending on education amounted to GNF 165.46 billion in 2004, or 2.37 percent of GDP. Despite these efforts, Guinea remains among the countries that devote the least public funding to education: the average for sub-Saharan Africa is around 4 percent.

A number of steps were taken on several fronts during 2004 to improve **health** indicators, in particular those for infant and maternal mortality, vaccination coverage for children under one year and for women of childbearing age, underweight children under 5 years, and the HIV/AIDS prevalence rate.

Under the PEV/SSP/ME (the expanded immunization, primary health care, and essential drugs program), vaccination campaigns against **priority diseases** were conducted and evaluated. The evaluations showed that nine prefectures have achieved DTC3 coverage rates higher than 80 percent, while another eight prefectures are still below the 50 percent threshold.

Progress in this field has been made possible through reinforcement of training and supervision, monthly monitoring of health districts, and effective community involvement in implementing the strategies. Of the 380 inspections planned, 253 were conducted in 2004, for a performance rate of 66.6 percent.

Overall results in the health sector, as revealed by the EDS-III-2005 survey, are mixed. The infant, child, and combined infant-child **mortality rates** improved slightly between 1999 and 2005, falling from 98 to 91 per thousand, from 88 to 79 per thousand, and from 177 to 163 per thousand, respectively. On the other hand, malnutrition among children under five worsened: 26 percent of children showed stunted growth in 2005, compared to 23 percent in 1999, and 35 percent of children were underweight, compared with 26 percent in 1999.

The **HIV/AIDS campaign** has made significant progress with respect to the seroprevalence target rate of less than 5 percent: it now stands at 1.5 percent, but is higher for women (1.9 percent) than for men (0.9 percent). The urban population is more seriously affected by the pandemic than are rural people. The scourge is having a significant economic impact, in that it strikes the most active segment of the population.

Underlying these mixed results are the financial difficulties facing the health sector. There is an ongoing weak collaboration between the Financial and Administrative Division (DAAF) and the MTEF (Medium-term Expenditure Framework) Unit, and cutbacks in health spending to make room for off-budget expenditure on defense and security have not improved the situation. Current spending on health amounted to only 1.7 percent in 2004, well below the 10 percent target in the PRSP, and was even lower than in 2003, when it represented 3.44

percent. It must also be recognized that Guinea has been very slow with its contribution to the PEV/SSP/ME activities. While donors have disbursed 100 percent of their share, Guinea has disbursed only 2 percent of its own.

In the area of **governance and institutional and human capacity building**, progress was achieved through the Village Community Support Program under which 146 Rural Development Communities (CRDs) have been provided with simplified planning and management tools, including Local Development Plans (PDL), Annual Investment Plans (PAI), Procurement Committees, and Works Monitoring Committees.

**Government efforts to combat corruption** have focused on training and awareness raising at all levels. Yet, according to the 2003 ENACOG survey, corruption is still highly prevalent in Guinea: 36 percent versus 32 percent for Sierra Leone and 28 percent for Zambia, and it does a great deal to aggravate poverty. The value of bribes that businesses pay to public officials is around GNF 469 billion, money that must be considered lost for purposes of development and combating poverty.

Efforts to eradicate corruption must focus on:

- Awareness and information campaigns.
- Promoting a climate in which people are ready to report instances of corruption, with adequate protection for whistleblowers against reprisals.
- Tighter control over expenditures.
- Severe penalties for persons engaging in corruption.
- Incentives to resist corruption (higher salaries, bonuses, etc.).

**In the area of transparency**, a new radio and television program schedule has been established to provide equitable access to the airwaves for all political parties. The decree establishing private radio stations has just been signed. Specifications for commercial radio and TV stations and for community and cooperative radio stations are now ready.

When it comes to **monitoring and evaluation**, the 123 indicators initially selected for tracking and analyzing poverty in Guinea have been revised and reduced to 56 indicators, using criteria based on the availability of information and on the relevance of the indicators.

With a view to participatory evaluation of the PRSP, 40 professionals from the public service, from civil society organizations and from national institutions have been given training in monitoring and evaluating implementation of the poverty reduction strategy.

**In conclusion**, the review of PRSP implementation shows that efforts have been made to stabilize the macroeconomic framework, strengthen decentralized management, control public spending, and deliver social services and basic infrastructure. It must be recognized, however that at the conclusion of this implementation the macroeconomic variables have in fact deteriorated.

As was the case in 2002 and 2003, the macroeconomic framework continued to deteriorate in 2004. Performance in terms of budget execution and resource mobilization was disappointing. This situation was not conducive to making any significant reduction in the incidence of income poverty (creating jobs, raising incomes, etc.) or to providing the Guinean people with decent access to basic social infrastructure and services, consistent with PRSP objectives.

The 2002/03 EIBEP results show that the population living below the poverty threshold declined from 62.6 percent in 1994 to 49.2 percent in 2002, and that 19.1 percent of these people lived in extreme poverty. In regional terms, the incidence of poverty in urban areas was 23.5 percent in 2002, and 59.9 percent in rural areas, compared with 17.5 percent and 82.1 percent respectively in 1994. Thus there was a significant reduction in poverty over the period 1994-2002. This positive trend denotes a reduction in inequality between rural and urban areas, although poverty remains an essentially rural phenomenon.

On the other hand, poverty index estimates using the SimSIP model (Simulation for Social Indicators and Poverty) show that poverty could rise from 49.2 percent in 2002 to 53.6 percent in 2005.

It is essential therefore to address these recurrent and interdependent problems that led to the suspension in 2002 of the PRGF (Poverty Reduction and Growth Facility) program. That suspension deprived the country of anticipated external assistance and moved it further away from reaching the completion point for the PRGF, achievement of which would have made Guinea eligible for HIPC funding in the order of US\$185.5 million. Without these funds, and without significant financial and technical support from our partners, our country is unlikely to achieve its PRSP objectives and those of the Millennium Development Goals by 2015.

It is urgent, therefore, to institute appropriate policies and measures to restore progress towards poverty reduction objectives. Those policies and measures can be classified as follows:

- **Restore the macroeconomic framework and revive growth**
  - Institute greater budgetary discipline and more substantial allocations to priority sectors.
  - Pursue a strict fiscal policy.
  - Encourage private sector involvement in the management of basic infrastructure.
  - Strengthen implementation of the Integrated Trade Framework.
  - Revive the MTEF units in priority sectors.
  - Reconcile the national budget with PRS objectives.
  - Provide substantial support to growth sectors in order to diversify and upgrade activity in mining and in key non-mining sectors: agriculture, livestock, fisheries, tourism, crafts and construction.
  
- **Equity and access to social services:**
  - Pursue implementation of the Education For All Program and strengthen the reforms undertaken to improve education indicators.
  - Continue implementation of the national health development plan, in particular: decentralizing the health system, strengthening health coverage, and improving the supply and use of health care services.
  - Strengthen and publicize the legal framework for the protection of children, women, the elderly and the handicapped.
  - Promote community-based care for small children and children orphaned by AIDS.
  - Promote access to decent housing, safe drinking water and adequate sanitation, particularly for the poorest.

- **Governance and institutional strengthening**
  - Strengthen budgetary decentralization and the financing powers of local governments.
  - Transfer effective public procurement powers to the regions and prefectures.
  - Sensitize and inform the general public about corruption and the existing tools for combating it.
  - Apply severe penalties to persons engaging in corruption, and introduce incentives for resisting corruption (higher salaries, performance bonuses, etc.).
  - Reinforce controls over the quality of expenditure and of activities in the field.
  - Revitalize the oversight bodies established by the government in order to raise ethical standards in the management of public finances.
  - Introduce programs for strengthening capacities at the sectoral level and at the subnational government level.
  - Enhance the involvement and participation of civil society in the formulation, management and monitoring of specific programs and projects for poverty reduction.
  - Harmonize grass-roots interventions and planning tools.
  - Introduce a communication strategy to enhance cooperation and the sharing of information.

Faced with the steep deterioration of the macroeconomic framework at the end of 2004, the government took decisive measures in 2005 to reverse this trend (see annex 7 on medium-term macroeconomic framework).

## **Introduction**

The first Poverty Reduction Strategy Paper (PRSP) was adopted by the Government of Guinea in January 2002 and approved by the World Bank and the International Monetary Fund in July of that year. It constitutes a single, common framework for action by all stakeholders in the country's social and economic development: the government, civil society, the private sector, and development partners.

The general objective of the strategy is to achieve a significant and sustainable reduction in poverty in Guinea, by augmenting the income and welfare of the population, in particular the poorest. The quantitative objectives are essentially the following:

### **In the medium term (2002-2005):**

- Achieve an average annual GDP growth rate of 5.2 percent in real terms between 2002 and 2005, as opposed to 3.7 percent between 1996 and 2000;
- Raise the GDP per capita growth rate to an annual average of 1.9 percent between 2002 and 2005;

### **In the long term (to 2010):**

- Reduce the incidence of income poverty nationally from 62.6 percent in 1994/95 to 30 percent in 2010, and from 82.1 to 38 percent in rural areas over the same period;
- Raise the gross primary school enrolment ratio from 56.7 percent in 1999/2000 to 100 percent in 2012 and the gross enrolment ratio for girls from 44.3 to 100 percent over the same period;
- Reduce the infant mortality rate from 98 per thousand in 1999 to 70 per thousand in 2005 and to 50 per thousand in 2010;
- Increase the rate of access to drinking water from 49 percent in 1999 to 80 percent in 2005 and to 100 percent in 2010.

To achieve these objectives, the strategy is designed around three main pillars:

- Acceleration of economic growth with greater income-generating opportunities for the poor;
- Development of and equitable access to basic social services;
- Enhanced governance and institutional and human capacity building.

The purpose of this paper is to provide a progress report on implementation of the strategy in 2004 and to draw lessons from it in preparation for the review and revision of the first PRSP. The report is structured as follows:

- (i) An introductory background, with a brief description of the context in which the PRS is being implemented.
- (ii) Acceleration of economic growth.
- (iii) Development of and equitable access to basic social services.
- (iv) Improved governance and institutional and human capacity building.
- (v) Review of the monitoring and evaluation system and the communications strategy for the PRS.
- (vi) Lessons learned from implementation.

## **Context**

The development context in Guinea in 2004 was marked by domestic and external factors that impacted negatively on implementation of the Poverty Reduction Strategy.

The most important domestic factors were the low rate of revenue mobilization, budgetary slippage, inflation, water and electricity shortages, and deterioration of the road system, which severely disrupted activity in the small and medium-sized enterprise (SME) sector.

Among the external factors was the persistent insecurity prevalent in neighboring countries (Liberia, Sierra Leone and Côte d'Ivoire), which strongly affected the country's economic and social equilibrium. Guinea continues to shelter about 105,639 refugees, of whom 75,636 are living in camps and 30,000 are scattered among the main urban centers.<sup>1</sup> Apart from the pressure they exert on basic social services, the environment and security, these neighboring conflicts have had a major financial cost, in terms of budgetary expenditure and foregone remittances from Guineans living in those countries.

The explosion in import prices has also had serious repercussions on the country's economic performance. This is particularly true of oil imports, the bill for which jumped 26 percent, from US\$108.67 million in 2003 to US\$137.08 million in 2004.

In the area of partnership for development, Guinea has benefited from the HIPC Initiative since 2001. Under that initiative, Guinea mobilized US\$96 million between 2001 and 2003. However, it received only two budget credits in 2001: CAS IV from the World Bank (US\$50 million) and PAS III from the African Development Bank (UC 12.25 million), for a total of about US\$66 million.

Slippage on the macroeconomic front (low mobilization of domestic resources, rising prices, budgetary deficit, off-budget expenditure, etc.) led to the IMF's suspension of the PRGF program in 2002 and to the cessation of interim assistance under the HIPC initiative in June 2003 and of AfDB lending in December 2003. It also resulted in the postponement of substantial debt cancellations expected from the Paris Club.

It was in this particularly difficult context that the government had to implement the PRS in 2004.

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<sup>1</sup> Source: Ministry of Regional Administration and Decentralization.

## CHAPTER I. ACCELERATION OF ECONOMIC GROWTH

*The overall objective for this first pillar of the PRSP is to achieve an average annual growth rate of 5.2 percent over the period 2002-2005, and a rate of 10 percent by 2010, with broad distribution of revenues in favor of the poor and the most vulnerable segments of society.*

The strategies adopted to achieve this objective are: macroeconomic stabilization; development of basic infrastructure; support for the growth sectors; and sustainable management of natural resources and the environment.

### 1.1. Macroeconomic stabilization

The macroeconomic framework continued to deteriorate in 2004, essentially because of persistently inadequate macroeconomic management, water and electricity supply problems, instability in the subregion, slow growth and galloping inflation.

These problems were compounded by the non-functioning of the MTEF units in the priority sectors of education, health, rural development, highway infrastructure, justice, social affairs, urban development and housing. Had they functioned properly, expenditure could have been monitored more effectively, thereby avoiding slippage and mismanagement of the national budget. The poor performance in executing the budget and in mobilizing domestic resources, combined with a drastic drop in external assistance, weighed heavily on PRS supplementation

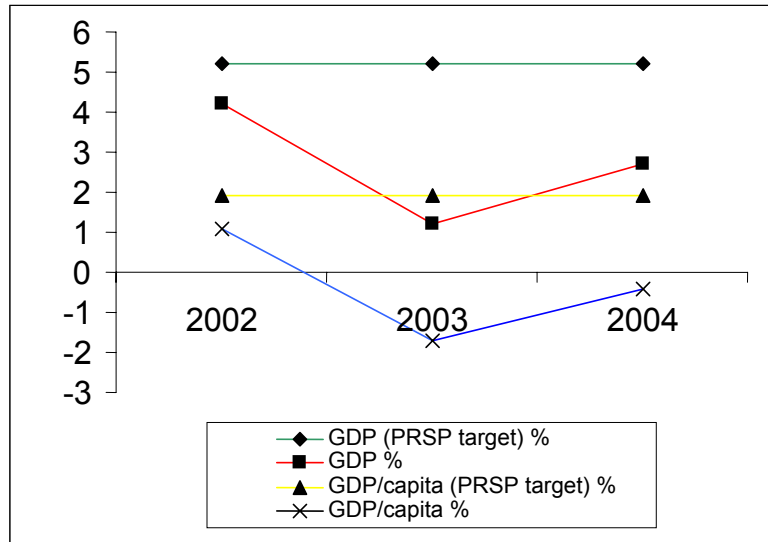
With all these constraints, coordination between the PRSP and the national budget is poor, and government divestiture has not been totally effective. The macroeconomic and sectoral results are a reflection of this situation.

#### (i) Economic growth

In the first three years of the PRS, Guinea's macroeconomic situation has been marked by an average rate of **GDP growth** of 2.7 percent (with annual growth rates of 4.2 percent in 2002, 1.2 percent in 2003, and 2.7 percent in 2004), well short of the 5.2 percent projected by the PRSP for 2002-2005 (see Chart 1). GDP per capita declined by 0.4 percent.

This sluggish performance was due to inadequate macroeconomic management in 2003, aggravated by the difficult circumstances sparked by the conflicts in neighboring countries, and compounded by the low level of agricultural productivity, falling bauxite prices, supply problems with electricity, water and building materials, and a declining investment rate, which fell from 22 percent in 2000 to 11.5 percent in 2004.

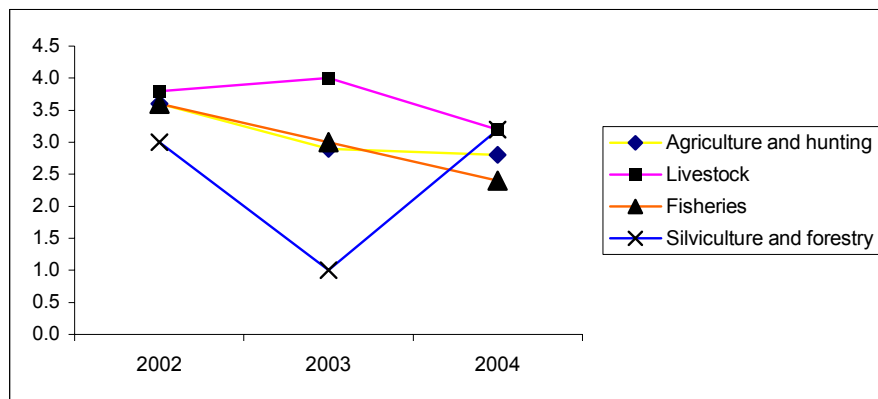
**Chart 1. Growth rates of GDP and GDP per capita, 2002-2004 (%)**



Source MP/DNP: Macroeconomic framework, June 2005

**Performance by sector.** Value added in the **primary sector** was 3.3 percent in 2004 compared with 3.5 percent in 2003, and its share of GDP remained steady at 18.7 percent. As shown in Chart 2, growth increased only in the silviculture and forestry subsector, from 1 percent in 2003 to 3.2 percent in 2004. There was a decline from 3.9 percent in 2003 to 3.5 percent in 2004 in agriculture and hunting, from 4 percent to 2.7 percent in livestock raising, and from 3 percent to 2.4 percent in fisheries over the same period.

**Chart 2: Growth rates in the primary sector, 2002-2004 (%)**



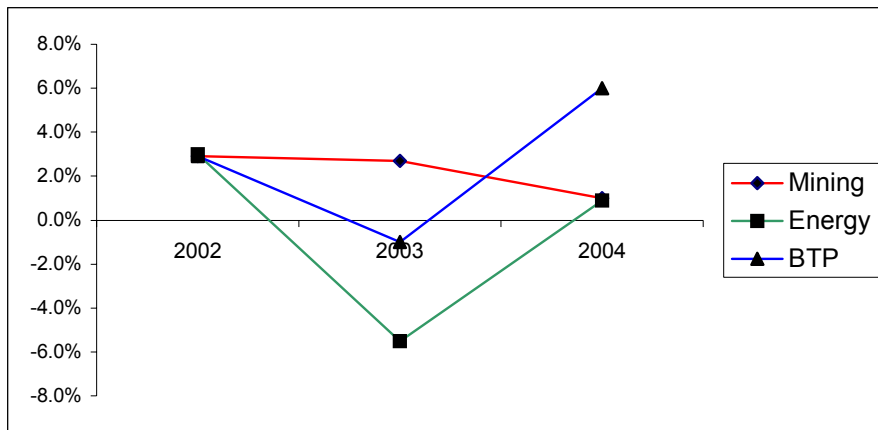
Source MP/DNP: Macroeconomic framework, June 2005

The growth rate in the **secondary sector** rose from 0.5 percent in 2003 to 3.1 percent in 2004, thanks to the performance of the public works and construction subsector (BTP), which grew by 6 percent compared to a 1 percent decline in 2003. By contrast, the growth rate in mining fell from 2.7 percent in 2003 to 1 percent in 2004. Because of the weight of the mining subsector, its decline dragged down the overall growth rate. In the water and energy

subsector, the growth rate improved to 0.9 percent of GDP in 2004 from a decline of 5.5 percent in 2003. Despite this improvement, water and electricity were in particularly short supply during the first three years of PRS implementation: there was a virtual breakdown in water and electricity supply in the municipalities surrounding Conakry, where much of the country's population and its crafts and industries are concentrated.

Households and businesses have faced recurrent and worsening problems of access to water and electricity, which are at once factors for growth and essential social services. This situation constitutes a real development problem for the government and its partners, a major challenge that will have to be addressed promptly if living conditions are to be improved and if the PRS objectives are to be achieved within a reasonable time horizon.

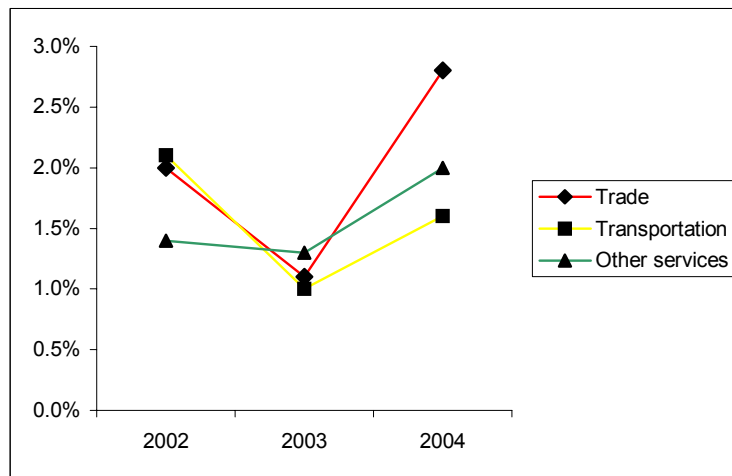
**Chart 3 Growth rates in the secondary sector, 2002-2004 (%)**



Source MP/DNP: Macroeconomic framework, June 2005

In the **tertiary sector**, the growth rate rose from 1.2 percent in 2003 to 2.5 percent in 2004. As can be seen from Chart 4, all components of the sector contributed to this increase: retail and wholesale trade (1.1 percent in 2003 and 2.8 percent in 2004); transportation (1 percent in 2003 and 1.6 percent in 2004) and other services (1.3 percent in 2003 and 2 percent in 2004).

**Chart 4 Growth rates in the tertiary sector, 2002-2004 (%)**



Source MP/DNP: Macroeconomic framework, June 2005

The results in these sectors will be addressed in greater detail in the section on basic infrastructure and growth sectors.

**(ii) The public finances**

The year 2004 began in an economic context characterized by an alarming fiscal deterioration carried over from 2003 and an expansionist budgetary policy that saw a sharp rise in off-budget spending, particularly on defense and security. This spending had the effect of increasing monetary liquidity and aggravating inflation and the public debt. At the same time, mining revenues fell and there was poor performance in the collection of taxes and duties.

The government took steps to address the situation in 2004, focusing primarily on strengthening tax administration at all levels, recovering taxation arrears, removing illegal and unjustified tax and customs exemptions, reducing public spending, and adhering strictly to budgetary procedures for expenditure commitments.

These measures, designed to improve the macroeconomic context, were inadequate to dampen inflationary pressures to the extent initially projected by the IMF and the Guinean authorities (i.e. limiting BCRG financing of the budget deficit to 1.2 percent of GDP or less and keeping reserve money growth at below 10 percent).

These initial measures were reinforced during the fourth quarter of 2004 by the establishment of a commission to recover tax arrears, the abolition of ad hoc exemptions, and the adoption of legislation reducing budget allocations to nonpriority sectors.

The combined effect of these efforts was to slow the deterioration of the public finances. To December 31, 2004, revenues amounted to 10.5 percent of GDP, or GNF 935.99 billion. Current spending was held to 8.9 percent, or GNF 920.67 billion, compared with GNF 923.8 billion in 2003 (Table 1).

The budget deficit shrank from 9.8 percent of GDP in 2003 to 4.2 percent of GDP in 2004, compared to an initial budget target of 2.6 percent. In the absence of external budgetary assistance, this deficit had to be covered through borrowing from the domestic banking system (primarily the BCRG) and through a considerable accumulation of external arrears, which stood at US\$62.4 million at the end of December 2004. Despite the issuance of "monetary regulation instruments" (TRM) to soak up excess bank liquidity, the situation had a highly negative impact on the primary monetary policy goal of constraining bank liquidity.

**Table 1. Public Finance Trends, 2002-2004**

	<b>2002</b>	<b>2003</b>	<b>2004</b>
<b>REVENUES AND GRANTS</b>	<b>935.20</b>	<b>1,048.90</b>	<b>1,000.04</b>
Revenues	763.90	754.10	935.99
Grants	171.30	294.80	64.04
Of which HIPC	69.50	81.90	33.38
<b>TOTAL EXPENDITURE</b>	<b>1,281.80</b>	<b>1,441.80</b>	<b>1,294.06</b>
Current expenditure	776.10	923.80	920.67
Investment	493.50	518.00	369.12
<b>Debt service</b>	<b>296.40</b>	<b>395.80</b>	<b>398.05</b>
<b>Budget surplus/deficit (% GDP)</b>	<b>-8.20</b>	<b>-9.80</b>	<b>-4.20</b>

Source: MP/DNP: Macroeconomic Framework Data (MP), and TOFE (MEF/DNB).

The **liquidity ratio** of the economy rose to 16.5 percent, driven by sharp increases in reserve money (33 percent) and in broad money (37 percent). This increase in broad money, at a pace 10 times that of GDP growth, when combined with exogenous factors such as the hike in import prices, sparked high inflation in 2004: the year-on-year inflation rate in December was 27.6 percent, compared to 3 percent and 12.9 percent for 2002 and 2003 respectively.

Off-budget spending, financed through monetization, tends to constrain credit for the private sector and to fuel inflation. The BCRG's **exchange reserves** now stand at only 1.5 months of imports, compared to a target of six months in the PRSP, and three months in the WAMZ convergence criteria.

The excess demand for foreign exchange not covered by the banking system led to a sharp **depreciation of the Guinean franc** against the major currencies in 2004 (24.2 percent for the US dollar and 39.1 percent for the euro). Between mid-September and the end of December 2004, the average gap between the official market rate and the parallel market rate was around 30 percent. The central bank was unable to meet private operators' demand for foreign currencies, and finally had to advise them to resort to the exchange bureaus.

**Mobilization of HIPC resources.** As the following table shows, the amounts mobilized under the debt relief arrangement declined by 64 percent.

**Table 2: HIPC funding for Guinea, 2001- 2004, GNF billions**

	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>Total</b>
<b>Estimates</b>	83.28	96.29	36.62	<b>216.19</b>
<b>Disbursements</b>	69.53	81.90	25.17	<b>176.60</b>
<b>Disbursement rate (%)</b>	83.50	85.05	79.74	<b>81.69</b>

Source: Cellule d'Etude de Politique Economique (CEPEC)

It will be recalled that Guinea reached the decision point under the enhanced HIPC Initiative in December 2000, as a result of which it was to benefit from debt relief equivalent to a net present value of US\$545 million. However, failure to reach the completion point, the accumulation of arrears, the level of corruption, and slippage in the program with the IMF led some donors to suspend debt-relief assistance in 2003.

On average, 60 percent of HIPC funding has gone to health and to pre-university education (Annex 1). Education received 75 percent of funding in 2004,<sup>2</sup> while health and public works received 15 percent and 6 percent, respectively. No funds were earmarked for urban planning and housing or for agriculture and livestock.

HIPC resources were used to cover the following expenditures: personnel costs (teachers under contract, literacy workers), for about 50 percent of total spending; a portion of operating expenses for education, health, social affairs, and rural road maintenance; and 30 percent was devoted to capital spending.

### (iii) The National Budget and the Poverty Reduction Strategy

Since 1997 Guinea has been working with a Medium-term Expenditure Framework (MTEF). The purpose of this mechanism is to rationalize expenditure by assigning priorities by sector and within sectors, and to institute a system for delivering public services based on management-by-results. With the MTEF, the government has assigned priority to seven sectors: education, health, roads, rural development, justice, urban development and housing, and social affairs.

While the MTEF approach has allowed the priority sectors to take account of the linkage between budgetary allocations and PRSP objectives during this first phase of the PRS, its effectiveness has been significantly reduced by the difficulties encountered in the departments concerned. The causes of these difficulties are both internal and external. Internally, the units responsible for the MTEF have not fully mastered the approach, and disputes have emerged between those units and the administration and finance divisions (DAAF). Externally, the situation of the public finances has deteriorated, with the buildup of payment arrears, the lack of external budgetary support, and growing off-budget expenditures. This situation is compounded by the weak collaboration between the Permanent Secretariat for the Poverty Reduction Strategy and the National Budget Office, and it has impeded the allocation of resources to priority sectors.

*Table 3: Priority Sector Shares in the BND, 2001 to 2004 (%)*

<b>Sectors</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
Agriculture, forestry and livestock	23.0	25.6	24.7	20.0
Fisheries and agriculture	1.1	1.2	2.3	1.8
Public Works	6.9	3.1	6.8	17.0
Urban development and housing	11.6	2.3	4.2	25.3
Public Health	9.3	4.5	3.4	1.7
Education	19.3	12.6	6.6	5.8
Social affairs	3.2	1.2	1.0	1.5
<b>Total</b>	<b>74.4</b>	<b>50.5</b>	<b>49.1</b>	<b>73.0</b>

Source: Macroeconomic Framework, March 2005

As can be seen in the above table, the share of capital spending in the BND (National Development Budget) going to priority sectors declined from 74.4 percent in 2001 to 49.1 percent in 2003. This decline reflects in part the financial constraints facing the government in recent years. Nevertheless, the share of the BND earmarked for these sectors improved in 2004, to 73.0 percent.

<sup>2</sup> Expenditure details are given in the section on Development of and Equitable Access to Basic Social Services.

#### **(iv) Public enterprise reforms and government divestiture**

In April 2004 the government adopted a six-month rolling action plan, based on the core findings of the 2003 Public Expenditure Review (PER). That action plan contains a series of recommendations designed to help Guinea move toward a formal staff-monitored program (SMP) with the IMF, while protecting priority social sectors. It has four components: (i) restoration of macroeconomic stability; (ii) protection for priority social sectors; (iii) revenue mobilization; and (iv) governance.

Implementation of this action plan has already produced some convincing results, primarily by reducing the budget deficit as described above.

**Public enterprise reform.** The government launched a program in 2000 covering 62 State enterprises. In 2004, reforms consisted of:

- Entering into a management agreement for Sakoba;
- The takeover of Eniphargui;
- The return of LNG and BGG<sup>3</sup> to the public domain;
- Sale of the assets of the Société Industrielle Aluko Guinée SIAG KASSA (underway);
- Sale of government shareholdings in SOGUIRUSSE, SOMCAG, ENTAG, and SOPROCHIM (underway);
- Liquidation of 4 public companies: SEEG, SONEG, SOGEL, ENELGUI (underway);
- Liquidation of SOGUITRO; and
- Entering into a management agreement for infrastructure belonging to the Société Générale de Transport de Guinée (SOGETRAG) (underway).

Under the associated worker support measures, separation allowances were paid in the amount of GNF 6.26 billion in December 2003 and GNF 4.46 billion in 2004. Training programs in microfinance and in starting a business are planned for workers laid off by the reforms.

The government's divestiture of these enterprises will not only encourage emergence of a more productive and diversified private sector but will also provide returns to the national budget and allow foreign currency savings.

Revenues from privatization during 2005 are expected to total GNF 16.898 billion. These revenues will be used to expand infrastructure and basic social services and will thus contribute to PRS objectives.

### **1.2. Development of basic infrastructure**

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<sup>3</sup> **LNG:** Laboratoire National de la Guinée; **BGGA:** Bureau Guinéen de Géologie Appliquée; **SOGUIRUSSE:** Société Guinéo- Russe d'Exploitation Minière; **SOMCAG:** Société de manutention Carburants Aviation de Guinée; **ENTAG:** Entreprise des Tabacs de Guinée; **SOPROCHIM:** Société des produits Chimiques et Explosifs de Guinée; **SEEG:** Société d'Exploitation des Eaux de Guinée; **SONEG:** Société Nationale des Eaux de Guinée.

**(i) Transportation and public works**

*The general objective for the Transportation and Public Works sector is to improve public mobility and the supply of goods and services.*

To this end, the government is working to design a strategy for reviving urban transportation by offering the assets of the former Société Générale de Transport de Guinée (SOGETRAG) to private investors interested in developing urban and interurban transportation. Preparation of a strategy for reviving rail transportation is also planned.

As Table 4 shows, major physical works were also completed in the sector during 2004.

*Table 4. Transportation and Public Works: Indicators and Performance*

<i>PRSP Indicators</i>	<i>Performance 2002 -2003</i>	<i>Performance 2004</i>	<i>Performance rate (%)</i>
Rehabilitation of 1,000 km of rural roads (2002–2004)	595.4 km	689 km rehabilitated	128
Maintenance of 5,750 km of rural roads, incl. 1,250 km using the labor-intensive approach	4,003 km		70
Construction of 1,600 m of crossings (2002–2003)	<ul style="list-style-type: none"> <li>- 1,299 m over 2002-2003</li> <li>- Rehabilitation of all bridges between Coyah and Pamélap</li> </ul>	320 m on the Fatale River at Boffa	101
Periodic maintenance of 3,950 km of dirt roads (2002–2003)	<ul style="list-style-type: none"> <li>- Maintenance of 3,227 km of national and regional highways</li> </ul>	689 km maintained nationally. Completion of maintenance work on ferries from Doumbafè to Faranah, from Sankarani to Mandiana	99
Paving of 1,169 km of roads (2002–2007)	Continued work on paving the Kankan – Kourémalé highway 225 km paved in Basse Guinée	302 km paved: Kankan-Kourémalé	37
In each administrative capital: excavation, installation of sewers and resurfacing of 5 km of primary roads		4-lane upgrade of the Tombo–Gbessia route Work underway at Conakry (6.775 km), Kindia (2.65 km) and Labé (4.75 km)	

Source: Macroeconomic Commission of the PRS Monitoring and Evaluation Group

Table 4 above shows that efforts to date have achieved maintenance of 689 km of national highways in 2004, as well as of two ferries serving Doumbafè-Faranah and Sankarani-

Mandiana and complete paving of the Kankan – Kourémalé highway and the Bel Air access road (Boffa).

320 m of bridgework was constructed on the Fatala River at Boffa, representing a performance rate of 101 percent against PRSP target.

Efforts were also focused on interurban transportation, with the upgrading of the four-lane highway from Tombo-Gbessia to Conakry (underway), as well as of 4.75 km of streets in Labé and 2.65 km in Kindia, for performance rates of 53 percent and 95 percent respectively. These works will speed traffic flow and thus ease the circulation of people and freight (see Table 4).

The main problems in the sector have to do with financing and with the fact that the transport subsector is not very profitable. It is dominated by road transport, which alone accounts for 90 percent of traffic. Moreover, the urban and interurban network is too sparse to have much absorption capacity and it suffers from deterioration and congestion especially in downtown areas.

Insufficient use is made of other means of transport. Rail transport is limited to the 385 km of railway operated by the mining companies. The 662 km Conakry-Kankan line is completely out of service. Air transport relies on a single international airport, that of Gbèssia-Conakry.

## **(ii) Water and energy**

***The objective for energy is to improve the economic development framework and living conditions by making electricity more accessible***

Achieving this objective will require an overhaul of the subsector, with the involvement of private operators, through the use of conventional-type concessions where the concessionaire has an obligation to invest.

The year 2004 saw activity both in Conakry and in the secondary towns. In Conakry, work on the new thermal units for Tombo 5 was completed, and three thermal units are now being installed at Kankan, N'Zérékoré and Faranah. Preparation of an electrification master plan is now underway and a project for the installation of electrification in 24 localities is being put together.

***In the water subsector, the goal is to improve living conditions and economic competitiveness through an adequate and affordable supply of drinking water.***

To this end, the government plans to turn over water system management to a private operator under an improved outsourcing contract. The following works were performed during the year 2004:

- Drilling and equipping of six wells in the Conakry region: Gbèssia, Yimbaye, Omnisport Stadium, and Kakimbo;
- Supply and installation of pumping and treatment equipment at Yessoulou;
- Installation of 291 watering places (bringing the total of watering places to 1998 of the 2400 planned in the PRSP, for a performance rate of about 71 percent).

Despite these efforts, and some improvement in growth (from - 5.5 percent in 2003 to 0.9 percent in 2004), the water and energy sector is still hampered by management problems, outmoded tools, low production capacity, significant transportation losses, and billing collection problems, all of which tend to compromise the sector's performance. According to the Integrated Core Survey for Poverty Assessment (EIBEP 2002/2003), the energy supply situation is still weak. **Only 18.8 percent of the population has access to electricity, and only 1.3 percent in rural areas. By contrast, the rate of access to drinking water is 62.3 percent for households in general, and 53 percent in rural areas.**

### (iii) Posts and telecommunications

*The objective is to offer adequate, high-quality post and telecommunication services at competitive prices.*

The following table shows performance in 2004 in terms of telephone density, service subscribers, and geographic coverage. While the number of subscribers rose by 66 percent from 2003 to 2004, telephone density remains below the PRSP target, which calls for a ratio of 1.0 by 2004. In addition, service quality is alarmingly bad: attempted calls often end in failure and the quality of communication is low.

*Table 5. Telecommunications: Indicators and Performance*

<i>PRSP Indicators</i>	<i>Performance 2002 -2003</i>	<i>Performance 2004</i>
Increase telephone density from 0.5 in 2002 to 1 by 2004 and to 1.5 in 2010	0.5	0.8
Total number of SOTELGUI GSM subscribers	90,000 (2003)	150,000
Number of cities covered by GSM <sup>4</sup>	18	21 <sup>5</sup>

*Source: Direction Nationale des Télécommunications*

The government is addressing the situation by seeking to remove the constraints inherent in:

- The management of interconnection agreements between new operators and SOTELGUI, which are not always signed.
- The duration of licenses, which were granted on a concession basis for only five years, compared to the 10 years that is standard in the subregion.
- The regulatory framework, which impedes the full exploitation of development opportunities and of commercial and technological innovations.

To this end, the Department of Posts and Telecommunications drew up a National Strategy for Information and Communication Technologies in June 2004, and it has finalized

<sup>4</sup> The PRSP contains no quantified targets for the last two indicators in the table.

<sup>5</sup> The cities covered by the GSM network are: Conakry, Fria, Boké, Boffa, Coyah, Forécariah, Kindia, Mamou, Dalaba, Pita, Labé, Kouroussa, Kankan, Siguiiri, Faranah, Kérouane (Banankoro), Kissidougou, Guéckédou, and N'Zérékoré.

interconnection agreements and drafted legislation and regulations governing posts and telecommunications.

### 1.3 Support for growth sectors

#### (i) Agriculture, livestock, water and forestry.

*The objective is to improve rural living conditions and enhance food security by increasing agricultural productivity, providing training for small farmers, and improving rural people's access to the factors of production and to marketing outlets for their products.*

Efforts to date have focused on improving the production of subsistence crops and livestock, promoting export crops, protecting natural resources, upgrading rural infrastructure, and promoting agricultural research and extension activities. Table 6 presents a quantitative measure of outcomes.

Table 6: Agricultural output 2002-2004

<b>Products</b>	<b>Units</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
Rice	metric tons	842,500	845,000	900,000
Corn	metric tons	103,000	388,679	423,295
Fonio ("hungry rice")	metric tons	132,900	187,902	197,852
Ground nuts in shell	metric tons	248,300	157,253	168,265
Cattle	head	3,139,000	3,375,879	3,561,038
Sheep	head	945,000	1,026,993	1,095,528
Goats	head	1,128,000	1,225,543	1,307,834
Swine	head	59,000	67,905	71,261
Poultry (traditional raising	head	13,320,000	14,119,546	14,966,719

Source: Macroeconomic Commission Report / PRS Monitoring and Evaluation Group

Overall, **subsistence crop production** grew between 2002 and 2004, with increased output of rice (up 6 percent from 2003), corn (8.9 percent) and fonio (5.2 percent). These increases resulted not from improved farm productivity, but from an expansion in the area under cultivation, which in the case of rice rose by 5 percent between 2002 and 2003.

Moreover, SOGUIPAH planted 6000 hectares in rubber trees (4500 hectares for industrial use and 1500 for family use), and 900 hectares were brought under cultivation or rehabilitated for fruit and vegetable production.

**Livestock output** also showed growth. Cattle production rose by 5.5 percent over 2003, and sheep and goat production by 6.7 percent. The opening of three new dairies in Gaoual Centre, Koumbia and Pita has boosted milk production.

Agricultural research and extension services were also expanded to generate and transfer new technologies (the NERICA variety) in support of small-scale farmers.

Despite these achievements, agriculture faces continuing difficulties that are hampering achievement of sector objectives: (i) little access to credit, inadequate training for farmers, and a lack of seeds and inputs; (ii) irregular rainfall; (iii) periodic plagues of locusts and caterpillars; (iv) the low productivity of local livestock species and breeds, the persistence of endemic diseases such as anthrax and blackleg (symptomatic anthrax); (v) feed shortages

during the dry season; (vi) poor organization among herders; (vii) problems of access to external markets; (viii) lack of agricultural specialization; and (ix) uncompetitive products.

Consequently, as Table 7 shows, the growth rate of agricultural GDP declined from an average of 4.75 percent in 2002/2003 to 3.9 percent in 2004. This is well below the average rate of 10 percent projected to 2010.

Table 7. Rural development: Indicators and Performance

<i>PRSP Indicators</i>	<i>Performance 2002 -2003</i>	<i>Performance 2004</i>
Reduce the rural poverty rate from 82.1 percent in 1995 to 38 percent in 2010	59.90 percent	NA
Raise the annual growth rate of farm output by 10 percent by 2010	4.75 percent	3.9 percent

Source: Annual macroeconomic framework 2004 / EIBEP 2002 - 2003

## (ii) Fisheries.

*The main objectives are: establishment of deep-sea and inshore fishing villages; development of sustainable rural fish farming in Moyenne Guinée and Guinée Forestière; preservation of marine and freshwater fishing resources; and development of a national fishing industry that can meet international quality standards.*

A number of activities were launched to achieve these objectives during 2004. As Table 8 shows, surveillance against illegal fishing was stepped up, and a pilot project for participatory surveillance of artisanal fisheries was initiated. The enforcement services were provided with a coastal surveillance vessel and detection and communication equipment.

Table 8. Fisheries: Indicators and Performance 2004

<b>PRSP Indicators</b>	<b>Performance 2004</b>	<b>Performance rate (%)</b>
Six marine resource evaluation campaigns 2002 - 2004	- One campaign conducted	17
Train 1500 rural producers in fish farming, development and water management	- Training and establishment of fish farmers and 34 extension workers	2
Equip 35 villages with productive infrastructure by 2004	- Launch of work to set up three fishing villages in Haute Guinée	9
Bring the number of producing lagoons to 460 between 2002 and 2004	- Preparation of 250 lagoons	54
Bring the number of credit beneficiaries to 350	Credit for traditional fishing operators (US\$112,500)	
Build 3 central fish markets in the major cities	- Completion of construction work on the fish market at Kenyen - Three fresh fish depots provided at Conakry for the <i>Union Nationale de Mareyeuses de Guinée</i> (national female fishmongers union) - Two fish markets provided for female fishmongers in the prefectures of Kankan and Kouroussa	167

Source: Macroeconomic Commission/Growth/SE-2005 Thematic Group/and PRSP.

In terms of financial support, a credit for US\$112,500 was established in 2004 for traditional fishing. Infrastructure was put in place to improve fish production and marketing. This involved primarily work on developing three fishing villages in Haute Guinée, of 35 planned, for a performance rate of 9 percent; establishment of 250 lagoons, of a planned 460 (performance rate 54 percent); and storage and marketing infrastructure at Conakry (Kenyen) and in the cities of Kankan and Kouroussa.

**In this field again, results are mixed. Value-added from the subsector remains low because of poor management of fishery resources, lack of means for marine surveillance, outmoded infrastructure, and the absence of processing plants.**

**(iii) Mining and geology.**

*The objective is to accelerate economic growth by exploiting the country's mining potential*

Overall, results for 2004 were disappointing (Table 9). The rate of growth for the sector declined from 2.7 percent in 2003 to 1.0 percent in 2004, the number of mining exploration permits fell from 15 to six, and the sector's contribution to community development dropped by 16 percent. There was progress in some aspects, however: the number of mining licenses issued rose from 66 in 2003 to 81 in 2004, and artisanal production increased by 10 percent. The Ministry of Mines and Geology (MMG) pursued its geological research and conducted a number of supplementary studies of mining projects (Annex 2) to improve mining output and revenues.

*Table 9. Mining and geology: Indicators and Performance*

PRSP Indicators	Performance 2002-2003	Performance 2004
Annual growth rate for the sector (%) <sup>6</sup>	2.7 percent (in 2003)	1.0 percent
Number of permits issued	65 mining permits, of which 50 for prospecting [ <i>recherche</i> ] and 15 for exploratory [ <i>reconnaissance</i> ] surveys	81 mining permits of which 73 for prospecting, 2 for concessions, and 6 for exploratory surveys.
Rate of transformation of raw materials into semifinished or finished products		4.4%
Contribution to community development	US\$1,840,000 (2003)	US\$1,546,800

The decline in the growth rate for the subsector is explained primarily by the three-month shutdown at SAG (the gold mining company, Société Aurifère de Guinée), and the low gold content and weak recovery rate in the operations of that company and of the SMD (the gold mining company, Société Minière de Dinguiraye).

**(iv) Tourism and craft industries.**

*The objective is to accelerate the development of craft industries by creating productive jobs, given their potential for boosting economic growth, employment, and foreign exchange earnings*

<sup>6</sup> The PRSP contains no quantitative objectives.

As Table 10 shows, there were a number of achievements in the tourism and craft industries in 2004.

The country recorded 29,000 business travelers and 20,955 recreational tourists, compared with forecasts of 40,000 business travelers and 20,000 recreational tourists, for performance rates of 72.5 percent and 104 percent respectively. This improvement reflects the addition of 100 hotel rooms for business travelers (performance rate 21 percent) and 72 tourist rooms (12 percent).

A crafts industry zone of 3 ha 30 m<sup>2</sup> was set up for the Regional Federation of Artisans of Kindia, and 55 technical operating permits were issued, 22 of them for hotels and 33 for restaurants.

*Table 10. Tourism and Craft Industries: Indicators and Performance*

<b>PRSP indicators</b>	<b>Performance 2004</b>	<b>Performance rate (%)</b>
Increase the number of business travelers to 40,000 in 2004	Number of business travelers recorded: 29,000	73
Increase the number of tourists to 20,000 in 2004	Number of tourists recorded: 20 955	105
Increase accommodation for international business travelers to 680 rooms between 2002 and 2004	100 rooms	15
Increase accommodation for tourists to 1200 rooms between 2002 and 2003	72 rooms	6
Increase the volume of investment	Establishment of a crafts zone of 3 ha 30 m <sup>2</sup> for the Regional Federation of Artisanal Workers	

*Source: Ministry of Tourism, Hotels and Crafts*

The main constraints facing the sector are:

- The scarcity and very high cost of production factors (water and electricity).
- Inadequate promotion abroad of Guinea as a destination, and very little presence at international trade fairs and exhibitions.
- The high and uncompetitive cost of air transport to Guinea, and a virtual absence of charter flights.

Planned government investments in opening up and developing tourist sites did not materialize, because of the financial constraints facing the country over the last three years, as a result of which the share of capital spending in the BND earmarked for priority sectors has declined.

Most of Guinea's potential tourist sites are still difficult to reach and are in an unimproved state. This has discouraged private operators, domestic and foreign alike, from investing in the sector.

To improve the situation, the Department of Tourism, Hotels and Crafts prepared a Strategic Plan for Tourism Development in 2004.

#### **1.4. Impact on the poverty reduction strategy, and outlook**

The macroeconomic and sectoral outcomes analyzed above are mixed. Despite improvements on several fronts, the Guinean economy is still characterized by:

- Low growth.
- A return to expansionary fiscal policies.
- A significant overall deficit, due to off-budget spending.
- Worsening inflation, due to monetary growth that exceeds the growth of national output.
- A rising domestic public debt and a buildup of external arrears.

It was because of these recurrent and interdependent problems that the IMF suspended the PRGF (Poverty Reduction and Growth Facility) program in 2002, interim assistance under the HIPC initiative dried up in June 2003, and the AfDB ceased lending in December 2003, while the Paris Club postponed substantial debt cancellations.

Under the circumstances, Guinea is even further away from reaching the completion point for the PRGF, which would make the country eligible for HIPC funding in the order of US\$185.5 million over the period 2003-2006. This is having a serious impact on economic growth which, at 2.7 percent in 2004, has been lower than demographic growth (3.1 percent) and has fallen short of the 5 percent target in the PRSP. This lower growth, combined with galloping inflation, has meant a drop in GDP per capita (- 0.4 percent), compared to growth of 1.1 percent in 2002. These gaps amply demonstrate the great efforts that must be made to achieve the targeted average annual growth of 5.2 percent between 2002 and 2005 needed to make a significant dent in poverty.

If urgent measures are not taken to address the current crisis over the short term, household incomes will be further undermined. This in turn would affect families' access to health services, education, rural development and other services. Poverty will continue to gain ground and the objectives of the PRS and the MDG as they relate to social services, in particular primary health care, water supply, and decent housing, will be compromised.

To optimize and stabilize conditions for implementing the PRS, the government and its development partners, in particular the World Bank and the IMF, will have to pursue the reforms now underway. Among other things, they will need to:

- Improve government expenditure management and reconcile the national budget with the PRS objectives by:
  - Making the MTEF units fully operational in all priority sectors.
  - Reinforcing collaboration between the SP/SRP (the PRS Secretariat) and the National Budget Office.
  - Improving preparation of the budget by taking better account of anti-poverty spending and by selecting better indicators for tracking expenditure.
- Improve budget allocation and execution by:
  - Improving allocations within and between sectors of the budget.
  - Reducing the overall deficit by restricting disbursements for nonpriority sectors, and in particular by integrating defense and security into MTEF programming and the budget process.

- Applying stricter procedures for the transfer of funds to local governments, and more effective control and supervision of activities at the local level.
- Institutionalizing the Public Expenditure Tracking Surveys (PETS) and the service quality surveys, recognizing the enormous shortcomings in the actual delivery of public funds to beneficiaries (for example, according to the PETS survey, only 16 percent of nonwage spending effectively reaches the target schools, and 30 percent of funding gets to the health centers).
- Increase mining revenues by promoting new mining operations and expanding existing ones (integrated output of bauxite and alumina/aluminum, for example).
- Diversify the economy and augment non-mining revenues by exploiting all opportunities for growth, through:
  - Improving tax collection and eliminating unjustified or illegal exemptions.
  - Improving agricultural productivity through investment in key infrastructure and promoting research and extension services, recognizing the sector's enormous potential.
  - Substantially boosting fisheries productivity (which has been growing at 7 percent since 1993) by tackling the problem of illegal offshore fishing, by promoting the processing of fisheries products in accordance with international health and quality standards, and encouraging aquaculture.
  - Respecting European standards for animal products in order to open the international market to Guinean production.
  - Organizing trade fairs to promote handicraft and tourism products so that Guinea can make its mark as an exotic destination in the international tourism industry.
  - Completing the process of restructuring the tourism sector.
  - Enhancing the private sector's contribution to the economy, as a determining factor for growth, by promoting private investment in urban transport services, water, electricity and telecommunications.
- Step up the anticorruption awareness and information campaign, and make better use of the tools that have been created for this purpose; promote a culture of reporting corruption and institute measures to protect whistleblowers from reprisals; impose severe penalties on offenders.
- Strengthen capacities to monitor and evaluate the management of public resources.
- Introduce a monitoring and evaluation system that combines the various existing national and sectoral databases, and institute a communication strategy to enlist and optimize participation by all stakeholders in implementing the PRS.

## CHAPTER 2. DEVELOPMENT AND EQUITABLE ACCESS TO BASIC SERVICES

This second strategic pillar of the PRSP is aimed at achieving education for all; access to an equitable health system that meets people's needs, combating HIV/AIDS, and providing care for the sick; protection and promotion for the most vulnerable social groups, i.e., women, children, the elderly and the handicapped; and promoting secure land tenure and a healthy living environment.

### 2.1. Education

*The main objectives are: basic education for all; improved education access and equity at all levels; improved quality and effectiveness of teaching at all levels; and enhanced non-formal education for disadvantaged girls and adults.*

Tables 11 and 12, below, show the results achieved. The overall gross enrollment ratio (GER) and the GER for girls have improved by three percentage points each. The enrollment gap between girls and boys has declined and the girls/boys ratio has been improved at both the primary and secondary levels. The admission rate to the secondary education institutions has shifted sharply, from 53 percent in 2002 to 72 percent in 2004. The overall net enrollment rate (NER) rose from 57 percent in 2001/2002 to 60 percent in 2002/2003 and to 62 percent in 2003/2004, while the ratios over the same period for girls were 52 percent, 55 percent, and 58 percent.

Table 11. Education: Indicators and Performance

PRSP indicators	Performance 2002 - 2003	Performance 2004
Gross enrollment ratio, total	74 percent	77 percent
Gross enrollment ratio, girls	67 percent	70 percent
Girls/boys ratio in primary education	0.74	0.76
Girls/boys ratio in secondary education	0.42	0.47
Collège admission rate, total	53 percent	72 percent
Collège admission rate, girls	50 percent	69 percent

Source: Service Statistique et Planification /MEPUEC

**Regional enrollment discrepancies.** As Table 12 shows, Labé still had the lowest enrollment rates, both for girls and for boys, in 2002-2004. The regions of Conakry and Boké saw a slight drop (one percentage point) from 2003 in their overall enrollment rates, while there was an increase in the other six regions.

Table 12. Gross Enrollment Ratio by Administrative Region (%)

Region	2002			2003			2004		
	Girls	Boys	Total	Girls	Boys	Total	Girls	Boys	Total
Boké	58	75.4	67	62	77.6	71	63	76	70
Conakry	120	145.3	132	119	139.7	129	119	138	128
Faranah	57	69.3	69	64	85.2	76	71	89	80
Kankan	50	68	60	54	70	63	60	74	67
Kindia	62	76.3	70	67	79.8	74	71	83	78
Labé	44	53.3	49	50	57.7	54	56	64	60
Mamou	51	66.5	59	57	73.2	66	60	75	68
N'Zérékoré	51	68.1	60	53	69.0	62	57	70	64

Source: SSP/MEPUEC

The number of classrooms available in the public schools (see Table 13) increased from 16,821 in 2003 to 17,597 in 2004, and the number of classrooms in private schools rose from 7,243 to 7,851 over the same period, for a total of 25,863 classrooms in 2004, including community schools.

Apart from the community schools, the teaching body has grown from year to year. In 2004 it numbered 25,361, for an increase of 6.3 percent over 2003.

Table 13: Available classrooms/teaching staff

	2000/01	2001/02	2002/03	2003/04
	<i>Number of classrooms</i>			
<b>Public</b>	14,571	16,281	16,821	17,597
<b>Community</b>	-	401	427	415
<b>Private</b>	5,472	6,973	7,243	7,851
<b>as % of total</b>	27.3	29.5	29.6	30.4
<b>Total</b>	20,043	23,655	24,491	25,863
	<i>Teaching staff</i>			
<b>Public</b>	14,267	14,880	17,038	17,973
<b>Community</b>	-	335	391	387
<b>Private</b>	4,977	5,910	6,430	7,001
<b>as % of total</b>	25.9	28.0	26.9	27.6
<b>Total</b>	19,244	21,125	23,859	25,361

Source: SSP/MEPUEC

These results reflect the efforts of government, local communities, bilateral and multilateral partners, and the private sector. Compared to other sectors, the funding earmarked for education has been considerable (Table 14). Between 2001 and 2004, total current spending by the central government rose from GNF 517.57 billion to GNF 671.76 billion, for an increase of 29.8 percent, while education spending rose by 42.5 percent, or 14 percent a year on average over the same period.

Table 14: Government current expenditure on Education, 2001-2004 (GNF billions)

<b>Type of expenditure</b>	<b>2001</b>		<b>2002</b>		<b>2003</b>		<b>2004</b>	
	<b>amount</b>	<b>%GDP</b>	<b>amount</b>	<b>%GDP</b>	<b>amount</b>	<b>%GDP</b>	<b>amount</b>	<b>%GDP</b>
Current spending on education	116.08	1.96	135.81	2.15	148.80	2.24	165.46	2.37
Current spending of Central Government	517.57	8.70	588.21	9.30	613.30	9.30	671.76	9.6
<b>GDP</b>	<b>5,918.61</b>	<b>100</b>	<b>6325</b>	<b>100</b>	<b>6,644.43</b>	<b>100</b>	<b>6,979.98</b>	<b>100</b>

Source: SSP/MEPUEC

The education effort represents 2.37 percent of GDP, estimated at GNF 6,979.98 billion in 2004 (Table 16). International comparisons, however, show that the education share of public spending in Guinea, as a percent of GDP, is lower than the average for sub-Saharan Africa, which is about 4 percent.

Table 15 presents the distribution of the education budget within the sector, and shows divergent trends in current expenditure at the different levels of instruction. The share going to primary education has declined, from 48.8 percent in 2002 to 46.2 percent in 2004, while that for secondary education rose from 19.8 percent to 21.2 percent in 2004. With the progression rate from primary to secondary school rising (from 50 percent to 70 percent

between 2002 and 2004), a funding shortfall could undermine operating conditions in the schools.

Table 15: Distribution of financing within the education sector (GNF billions)

Year/ level	2001		2002		2003		2004	
	Amount	%	Amount	%	Amount	%	Amount	%
Primary	60.0	51.7	66.2	48.8	66.9	45.0	76.4	46.2
Secondary	21.5	18.5	26.8	19.8	33.0	22.2	35	21.2
Technical and Vocational	9.2	7.9	11.8	8.7	12.4	8.3	14.0	8.4
Higher Education	25.4	21.9	30.9	22.8	36.5	24.5	40.1	24.2
<b>Current spending on education</b>	<b>116.1</b>	<b>100.0</b>	<b>135.8</b>	<b>100</b>	<b>148.8</b>	<b>100</b>	<b>165.5</b>	<b>100.0</b>

Source: SSP/MEPUEC

Current spending on **technical and vocational education** represented 8.4 percent of the total in 2004, a proportion slightly higher than the Education For All (EFA) target of 8 percent. The share of funding going to **higher education** rose from 22.8 percent in 2002 to 24.2 percent in 2004, an improvement that needs to be consolidated by policy reforms for granting bursaries and optimizing teaching resources.

In terms of **operating budget decentralization**. Table 16 below shows that over the period 2003-2004, 76 percent of MEPU-EC spending went to goods and services purchased by the DEV/DCE of Conakry and the prefectures. On average, 22 percent of the Department's budget allocated to the prefectures and to Conakry was devoted to spending in the city of Conakry, although it accounts for only 15 percent of the schools (6,360 schools), reflecting the unequal distribution of funding.

All these expenditures were committed, authorized and paid locally by the Administrative and Financial Services and the prefecture treasurers. The outcomes would have been better if the MTEF units had been more operational.

Table 16: Decentralization of education spending (goods and services) in 2003 and 2004  
(GNF 000)

<b>Decentralized Budget: Conakry and Prefectures</b>	<b>2003</b>	<b>2004</b>
<b>Total Budget MEPU-EC: goods and services</b>	<b>22,911,592</b>	<b>24,832,890</b>
Decentralized MEPU-EC budget for Conakry and the prefectures	17,391,090	18,865,370
<b>Decentralized budget as share of total budget</b>	<b>76.0%</b>	<b>76.0%</b>
<b>Decentralized MEPU-EC budget for Conakry and the prefectures</b>	<b>17,391,090</b>	<b>18,865,370</b>
1. Decentralized MEPU-EC budget for Conakry (DEV/DCE)	3,997,290	4,018,420
<b>I. PRIMARY SCHOOLS IN CONAKRY</b>	2,446,880	2,202,210
<b>II. SECONDARY SCHOOLS IN CONAKRY</b>	1,417,020	1,296,160
Administrative services in Conakry	133,390	520,050
<b>Share of the decentralized budget for DEV/DCE</b>	<b>23.0%</b>	<b>21.3%</b>
2. Decentralized MEPU-EC budget (IRE/DPE)	13,393,800	14,846,950
Primary schools in the prefectures	9,858,780	10,236,310
Secondary schools in the prefectures	2,982,200	3,013,100
Administrative services in the prefectures	552,820	1,597,540
<b>Share of the decentralized budget for IRE/DPE</b>	<b>77.0%</b>	<b>78.7%</b>

Source: SSP/MEPUEC

Despite the many efforts in support of education, the quality of instruction is still a concern. The pupil/classroom ratio increased from 42 in 2001/2002 to 45 in 2003/2004. The pupil/teacher ratio declined from 56 to 51 over the same period. According to the 2002/03 EIBEP, nearly 67 percent of primary school pupils are dissatisfied with the education services they receive. Among the reasons cited are: (i) lack of books and furnishings; (ii) shortage of teachers; (iii) poor maintenance of the schools; (iv) lack of discipline.

## 2.2. Health

***The objective is to improve the health of the population. The detailed objectives to this end are to prevent and combat priority diseases, to improve access to essential health services for poor people, and to overcome malnutrition.***

A number of steps were taken on several health fronts during 2004 to improve the rates of infant and maternal mortality, vaccination coverage for children under one year and for women of childbearing age, underweight children under 5 years, and the HIV/AIDS prevalence rate.

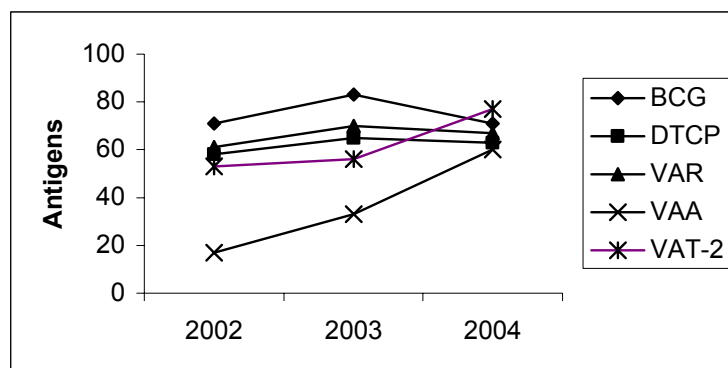
Under the PEV/SSP/ME (the expanded immunization, primary health care, and essential drugs program), **vaccination campaigns against priority diseases** were conducted and evaluated. The evaluations showed that nine prefectures (Fria, Dabola, Faranah, Siguiiri, Mandiana, Dubreka, Coyah, Beyla and the Commune of Kaloum) have achieved DTC3 coverage rates higher than 80 percent, while another eight prefectures (Dalaba, Geckédougou, Tougué, Dinguiraye, Boké, Koundara and the Communes of Matoto and Dixinn) are still below the 50 percent threshold.

**Progress in this field has been made possible through reinforcement of training and supervision, monthly monitoring of health districts, and effective community involvement in implementing the strategies. Of the 380 inspections planned, 253 were conducted in 2004, for a performance rate of 66.6 percent.**

**Mass tetanus vaccination campaign.** The third round of the maternal-neonatal tetanus campaign was conducted in eight high-risk prefectures (Mali, Mamou, Faranah, Gueckédou, Kouroussa, Siguiiri, Kankan and Kérouané). Of the target population of 606,853 women, 535,484 were vaccinated with VAT3, for a coverage rate of 88 percent.

The seventh “national anti-poliomyelitis vaccination (OPV) and vitamin A dosage” campaign for children under five years achieved notable coverage rates of 104.8 percent and 102 percent in the first two rounds. During these rounds, 3,845,827 children were vaccinated against polio; of these, 2,018,822 received their second shot, and 1,816,130 also received vitamin A supplements.

**Chart 5. Immunization Coverage Rates (%)**



BCG: Tuberculosis vaccine  
DTCP: Diphtheria, Tetanus, Whooping Cough, Polio  
VAR: Measles vaccine  
VAA: Yellow fever vaccine  
VAT-2+: Tetanus vaccine, second dose

**Epidemiological surveillance.** In 2004, the rate of non-polio Acute Flaccid Paralysis (AFP) was 2.5 per 100,000 children under age 15; five cases of wild poliovirus were confirmed in the regions of N’Zérékoré (Beya and Lola) and Kankan (Siguiiri and Kérouané); and only six cases of Maternal Neonatal Tetanus were investigated and reported to the PEV/SSP/ME coordination office. Five prefectures (Koubia, Siguiiri, Gaoual, Kissidougou and N’Zérékoré) conducted effective surveillance for measles. Six cases of yellow fever were reported in the prefecture of Dinguiraye (Faranah region).

The difficulties encountered in providing **access for the poor to essential services** relate to geographic inaccessibility, low financial capacity, ignorance, and inadequate awareness about the services offered and how to use them.

To improve access, efforts have focused on constructing new health centers in rural and urban areas, and on providing equipment and training for management and intervention activities. To this end, 108 training and awareness-raising sessions were conducted, of the 150 planned for all the Regional Health Directorates, for a performance rate of 72 percent in 2004.

**Quality of services.** There have been significant disruptions in the supply of medications, particularly antibiotics, antimalarial drugs, analgesics, soluble medicines, and antiparasitics. Disruptions can last from one to 12 months, or even longer. Only 145 health centers, or 36.71 percent of the total, are able to cope with fixed costs and to make provisions, while 21 (5.32 percent) can make no expenditures.

Significant progress has been made in the campaign against **HIV/AIDS**, with the establishment of 18 epidemiological monitoring sites, the opening of five Voluntary Detection and Counseling (CDV) Centers and four Outpatient Treatment Centers (CTA); establishment and strengthening of epidemiological surveillance capacities at seven maternal-child transmission prevention (PTME) centers; and improved affordability of antiretroviral drugs, with the cost of monthly treatment falling from GNF 240,000 to GNF 35,000. These efforts have succeeded in keeping the seroprevalence rate below 5 percent, as called for in the PRSP: in fact, it now stands at 1.5 percent<sup>7</sup> (see below), but is higher for women (1.9 percent) than for men (0.9 percent).

HIV/AIDS is generally much more widespread in urban than in rural areas. Nationwide, 2.4 percent of the urban population is affected by the disease, compared with only 1.0 percent of the rural population. Some 3.9 percent of sexually active urban women are infected, compared with 0.9 percent in rural areas. This trend is reversed among men, however: 1.1 percent in rural areas and 0.6 percent in the cities.

**Available data reveal a certain "feminization" in the spread of HIV/AIDS, as well as higher rates in urban areas. Women are more affected than men at all ages, except for the 40-44 years age group.**

**This situation threatens to exacerbate poverty in Guinea, and urgent measures to control the spread of HIV/AIDS are lacking. The disease strikes primarily at the most productive and most numerous segment of the population, and this is undermining the national economy, already characterized by persistent macroeconomic instability.**

#### **Outcomes:**

Despite the efforts made, malnutrition and mortality among children under five remain high in Guinea (Table 20). While infant, child, and combined infant-child mortality rates improved slightly between 1999 and 2005, falling from 98 to 91 per thousand, from 88 to 79 per thousand, and from 177 to 163 per thousand, respectively, they are not on a par with the expected results. Malnutrition among children under five remains a concern: 26 percent of children show retarded growth in 2005, compared to 23 percent in 1999, and 35 percent of children are underweight, compared with 26 percent in 1999.

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<sup>7</sup> The value of 1.5 percent from the EDS-III-2005 is not comparable to that derived from the seroprevalence survey (ESSIDAGUI 2001), which was 2.8 percent. The difference lies in the fact that the target populations are not the same. The ESSIDAGUI 2001 focused on population groups where the prevalence of HIV is generally higher, while the EDS-III-2005 covered the entire population in the 15-49 years age group.

Table 17: Health Indicators and Performance

<b>PRSP Objectives/Indicators DSRP</b>		<b>Performance 2002--2005</b>
Raise the health share of the BND budget from 5% to 10%		1,7%
Infant-child mortality rate 177 per thousand		163 per thousand (2005)
Infant mortality rate from 98 per thousand to 70 per thousand between 1999 and 2005		91 <b>per thousand</b> (2005)
HIV/AIDS prevalence rate below 5% in 2005		1,5% (2005)
Maternal mortality rate from 528 to 300 per 100,000 between 1999 and 2005		
Child mortality rate from 88 per thousand to 60 per thousand between 1999 and 2005		79 per thousand (2005)
Chronic malnutrition rate (0-59 mos.): reduction from 26% to 15% between 1999 and 2005	Stunted growth 23% in 1999	26%(2005)
	Underweight 26% in 1999	35%(2005)

Source: EDS-III-2005 preliminary results

Underlying these mixed results are the financial difficulties facing the health sector. There is an ongoing dispute between the Financial and Administrative Division and the MTEF (Medium-term Expenditure Framework) Unit. Current spending on health amounted to only 1.7 percent in 2004, well below the 10 percent target in the PRSP, and was even lower than in 2003, when it represented 3.44 percent. Guinea has been very slow with its contribution to the PEV/SSP/ME activities. While donors have disbursed 100 percent of their share, Guinea has disbursed only 2 percent of its own (Annex 4).

### 2.3. Social Affairs and the Advancement of Women and Children

*The objective is to strengthen social action in favor of marginal or socially excluded groups and to guarantee economic security.*

To achieve this objective, the Ministry for Social Affairs and the Advancement of Women and Children has a 2004-2010 action plan based on an in-depth analysis of the situation of target groups and of the various sector policies. Implementation of this plan has helped to reinforce social action and to promote equity.

**Table 18. Social Affairs and the Advancement of Women and Children**

<b>PRSP objectives/indicators<sup>8</sup></b>	<b>Performance 2004</b>
Number of beneficiaries (socially excluded)	-7 deaf-mute candidates took and passed the college entrance exam: success rate 100 percent -100 percent success rate in the college entrance exam for students from the School for the Blind and Nearsighted; -3 blind students were admitted to the first part of the <i>baccalaureat</i> session 2003–2004 in the social sciences option; -315 handicapped persons visited the National Orthopedic Center and 125 orthopedic devices were made.
Male/female ratios in decision-making positions	-women account for 23 percent of the civil service; -6 of 30 ministers in the government are women; -6 of 52 department heads are women;
Trends in economic and social development indicators for women	-175 women's groups, associations and cooperatives have received funding support and equipment; -2000 literacy workers have been recruited and trained for the Three-year Women's Literacy Program (PTAF); -a women's trades center has been constructed in the commune of Matoto; -outfitting of the Women's Self-Advancement Centers (CAAFs) in Boké, Kankan, Kissidougou, N'Zérékoré, Faranah, Labé, Mamou and the future CAAF in Kindia -technical capacity building: training for DPNF managers in population and gender issues; and in human resource management; 20 female extension workers trained for the CAAFs, the NAFA Center and women's groups in microproject management, and 25 managers trained in organizational communication.

*Source: Ministry for Social Affairs and the Promotion of Women and Children*

The achievements for 2004 listed in Table 18 include a slight increase in women's representation in decision-making positions: there are six female ministers in a total of 30 ministers, compared to five of 30 in 2003.

The success of efforts to provide special attention to socially excluded groups can be seen in the 100-percent success rate for deaf-mutes in the admission examinations for the seventh year (for entry to the secondary education institutions); three blind students were admitted to the baccalaureate program in social sciences; 315 handicapped persons visited the National Orthopedic Center for consultations and 123 orthopedic devices were distributed.

#### **2.4. Urban development and housing**

**The objectives in this sector are: sanitation and environmental protection in housing areas; access for all Guineans to decent housing and proper utility services; and overcoming regional disparities and under-servicing.**

Activities in 2004 were conducted under the Third Urban Development Project and the Third Water and Sanitation Project (sanitation component) supported by the World Bank. They involved several fields, in particular transportation, public health, and education.

<sup>8</sup> The PRSP does not contain any quantified objectives.

Table 19. Urban Development, Housing and Sanitation: Indicators and Performance

<b>PRSP Objectives/ Indicators</b>	<b>Performance 2002-2003</b>	<b>Performance 2004</b>
<i>Development of lots for moderately priced housing</i>	<i>Development of a 150 hectare area in Sonfonia</i>	<i>Marketing of lots in the development zone of Sonfonia. (150 hectares)</i>  <i>Technical studies for a 200 hectare zone in Kéitayah</i>
<i>Individual and shared sanitation works.</i>	<i>Construction at 13 sites totaling 2,535 stand-alone sanitary facilities for 520 households* and 60 public latrines in markets, schools, health centers, bus stations and public places in under-serviced districts of Conakry;</i>  <i>Construction underway on 2 dumping stations (Yimbaya and Sonfonia), and 3 sewage treatment plants at Conakry</i>	<i>Completion of construction and acceptance of 2,535 stand-alone sanitary facilities for 520 households* and 60 public latrines in markets, schools, health centers, bus stations and public places in under-serviced districts of Conakry.</i>  <i>Completion and acceptance of the sewage composting treatment station at Sonfonia (capacity 50 m<sup>3</sup>/day)</i>  <i>Completion and delivery of the natural sewage treatment station at Yimbaya (capacity 100 m<sup>3</sup>/day).</i>  <i>Completion and acceptance of 5 filtration mini-stations with a total capacity of 300 m<sup>3</sup>/day at large public facilities in Dixinn (University, CHU hospital of Donka and the 3 teachers' residences).</i>

<b>Table 19. Urban Development, Housing and Sanitation: Indicators and Performance (Continued)</b>		
<b>PRSP Objectives/ Indicators</b>	<b>Performance 2002-2003</b>	<b>Performance 2004</b>
<i>Construction of community sewage systems.</i>	<i>Start of work on the community sewage system for Kaloum; laying of 30 km of piping, connections for 10,000 households (planned total 20,000), completion of 5 pumping stations.</i>	<i>Continuation of work on the community sewage system for Kaloum; laying of 30 km of piping, connections for 10,000 households (planned total 20,000), completion of 5 pumping stations.</i>  <i>Continuation of construction of the 1<sup>st</sup> 7,000 m<sup>3</sup>/day section of the sewage treatment plant at Conakry.</i>
<i>Institutional framework for urban sewage systems:</i>	<i>Capacity building for 15 SMEs and s Guinean sanitary engineering through training and participation in works..</i>	
<i>Kilometers of roadway constructed</i>		<i>Construction of 70 km of paved roadways in Conakry; Construction of 15 km of paved roadways at Kindia and Dubréka; Construction of 4 km in the cities of Kankan, Kindia, Labé and Kissidougou.</i>
<i>Construction of drainage systems</i>		<i>2 drainage projects at Kankan and Kindia .</i>
<i>Construction of municipal facilities</i>		<i>2 markets at Kankan, 1 at Kindia, 1 at Labé and 1 at Mamou</i>
<i>Construction of health centers</i>		<i>1 health center at Kindia, 1 at Kissidougou, 3 at N'Zérékoré</i>
<i>Construction of municipal buildings</i>		<i>1 town hall at Faranah, 1 at Kindia, 1 at Mamou and 1 at N'Zérékoré</i>
<i>Construction of schools</i>		<i>3 classrooms at Faranah, 4 at Kankan, 2 at Labé and 1 at N'Zérékoré</i>

Source: Ministry of Urban Development and Housing

On the institutional front, the Ministry has been restructured (Decree 2003/015/DRG/SGG of March 24, 2004) to reflect new options for decentralization and for involving the private sector and civil society. The following have been established as part of this move:

- Decentralized urban planning and housing services at the municipal level: urban planning, architecture and urban supervision at Conakry and in the municipalities of Kindia, Kankan, Labé and N'Zérékoré.
- Specialized institutions: The National Housing Fund, the National Land Bank Agency.
- Promotion of private-sector involvement in housing, urban planning and management: *Société d'aménagement et d'Équipement de Terrains Urbains* (SAETUR, land

development and servicing), *Société de Promotion et Gestion Immobilières* (SOPROGIM, property promotion and management) and *Unité de Gestion des Infrastructures d'Assainissement* (UGIA, sanitation facilities management).

Despite these results, the Department of Urban Development and Housing is facing enormous difficulties, primarily of a financial kind, in achieving the PRSP objectives. Over the period under review, the urban development and housing sector has received no allocations of HIPC resources, and this has delayed work on a number of projects designed to improve living conditions.

***In conclusion, additional efforts are needed in order to develop basic social services and make them accessible. The impact would be much greater if the MTEF for these priorities sectors were fully operational, so as to permit the allocation and absorption of the major funding needed to implement measures for addressing shortcomings in the achievement of PRSP objectives.***

## **2.5. Recommendations**

To permit equitable public access to basic social services, the following measures must be taken:

**Education.** Continue to implement the Education For All (EFA) program and strengthen the reforms now underway for improving the sector's indicators, in particular:

- Establish "sub-cycles" in primary school, designed to reduce repetition and dropout rates, which lead to considerable waste of education funds of the primary level, and to enhance capacities for recruitment.
- Bring the education share of the national budget to 19 percent; the share of primary education within the education budget to 49 percent; the share of the higher education budget earmarked for teaching, training and research inputs to 25 percent; and the teaching subsector's share of the non-wage operating budget to 40 percent.
- Pursue the school textbooks policy, which is to provide several textbooks in the same discipline for the same course. Thus, the decentralized establishments will initially be able to choose the textbook that they will use in their schools, and subsequently every school will be able to choose its approved textbooks. At the same time, some functions of the National Pedagogical Research and Action Institute (INRAP) in publishing and distributing textbooks will be transferred to the private sector.
- Strengthen the school health and nutrition program.
- Pursue decentralized preparation of educational statistics through the decentralized institutions of the Education Statistics and Planning Service.
- Support management of the teaching body by the decentralized institutions (education divisions of the prefectures and communes) to improve service delivery.
- Employ contract teaching staff at the primary and secondary levels.

**Health.** Continue to implement the National Health Development Plan, including:

- Decentralize the health system and strengthen health coverage.
- Improve the supply and use of health care services.
- Strengthen management organization and capacities.
- Continue to strengthen financing for the sector.

- Provide further training for CRD personnel in managing the health centers, in cooperation with local governments.
- Train members of the health facility management committees so that they can play their roles of awareness raising, management and resource mobilization more effectively.
- Reactivate the various professional associations so as to raise morale and ethical standards.

**Social affairs, the advancement of women and the protection of children.** Activities will be based on a 2004-2010 action plan, designed as a result of an in-depth analysis of living conditions for women, children and the handicapped, and including the following strategies:

- Strengthen and publicize the legal framework protecting children, women, the elderly and the handicapped.
- Put the National Social Security Fund on a stronger and more permanent financial footing.
- Promote the cooperative movement as a means of giving women access to microcredit.
- Continue literacy programs for women.
- Promote community-based care for small children and AIDS orphans etc. in rural and periurban areas.
- Improve access to antiretroviral drugs for persons living with HIV/AIDS.
- Continue the renovation and outfitting of the Women's Self-advancement Support Centers (CAAF) and Trades Centers.
- Conduct a qualitative and quantitative study of the situation of street children in Guinea, with potential financing from IDF or UNDP.
- Combat human trafficking in ECOWAS member countries.

**Urban development and housing.** Future activities will take place through the following programs:

- The National Housing Improvement and Development Program, which will undertake projects for servicing urban lots, rebuilding older districts, and producing decent housing at low cost.
- The National Territorial Improvement Program, designed to overcome regional disparities and under-servicing and to combat the rural exodus and underemployment so that investment will be distributed more evenly across the country.
- The Integrated Subregional Improvement Program for Koba Tatéma-Bamako, designed to steer regional development efforts towards subregional economic integration and trade.
- The Technical Support Program for Cities, which will help 48 Guinean cities to improve the financing and management of urban facilities and services, within an "urban economy" approach.
- The Integrated Development Program for the Mining Regions of Guinea, a new initiative for rational management of economic and financial potentials to promote geographically balanced development in the mining regions.

## **CHAPTER 3. IMPROVED GOVERNANCE AND INSTITUTIONAL AND HUMAN CAPACITY BUILDING**

*The governance objectives are:*

- (i) strengthen the decentralization of public management;*
- (ii) reduce the impact of corruption on economic and social development;*
- (iii) strengthen grassroots participation and ownership;*
- (iv) enhance stability and security;*
- (v) strengthen the country's institutional and human capacities;*
- (vi) promote accountability and transparency; and*
- (vii) improve knowledge, follow-up and analysis.*

### **3.1. Enhancing the conditions for implementing the strategy**

#### **(i) Building capacities at the decentralized level.**

Efforts to strengthen capacities at the decentralized level have continued through national programs such as the Village Community Support Program, under which 146 Rural Development Communities (CRD) have been provided with simplified planning and management tools, including: Local Development Plans (PDL), Annual Investment Plans (PAI), Procurement Committees, and Works Monitoring Committees. Thanks to coaching and capacity building activities, these committees are fully independent.

In addition to these programs, training and planning activities have continued at the regional level. In this context, the regional poverty reduction strategy for Labé has been examined and analyzed to adapt it to its context. The same process of refinement is under way with the strategies for the administrative regions of Boké, Kindia, Mamou, Faranah, Kankan, N'Zérékoré and the City of Conakry.

#### **(ii) Combating corruption**

The incidence of corruption in Guinea is high. The general corruption index is 36 percent, compared to 32 percent in Sierra Leone and 28 percent in Zambia. According to the 2003 National Survey of Corruption in Guinea (ENACOG), corruption affects the entire country and even strategic government sectors. The Urban Planning and Housing Department shows the highest index (64 percent), which is well above the national average. It is followed by the departments of the Civil Service and Employment (43 percent), Youth, Sports and Culture, Regional Administration and Decentralization (42 percent), and Security (40 percent). The social sectors (health and education) are affected to a lesser degree (Annex 3).

The main corrupt practices in Guinea involve the payment of bribes to get around regulations, to influence official decisions, or to obtain public contracts, licenses or permits. The ENACOG-2003 estimates at some GNF 469 billion (or \$180 million) the value of bribes that businesses pay every year to public officials. This would amount to 9.3 percent of GDP for 2003.

It is businesses in the wholesale and retail sector that are most apt to resort to bribery: they paid 94 percent of the total value of bribes. Businesses in the transportation and storage sector paid 17.64 billion (4 percent) and those in other sectors accounted for 2 percent. The practice of double-entry bookkeeping shows that, among government agencies, Customs receives 34

percent of annual bribes, followed by SOTELGUI (15 percent), EDG (6 percent) and taxation (3 percent).

Corruption has a negative impact on the business climate. It is seriously affecting the country's economy and is worsening poverty. Through market mechanisms, it increases the costs of the factors of production for businesses (small enterprises pay 18 percent of the value of their contracts in the form of bribes) and this cost is passed on in higher selling prices for products. Corruption also boosts inflation, thereby constantly eating away at the budgets of households, which pay 3 percent of their income in bribes, to the detriment of their purchasing power and their living standards.

In the face of this scourge, government efforts are focused on combating impunity and on training and awareness raising at all levels. An anticorruption committee was established and subsequently converted into the National Anticorruption Agency, the activities of which have included the following:

- Awareness raising: the corruption issue is no longer a taboo and is being openly debated.
- Introduction of seven regional anticorruption offices, four of which have already been equipped.
- Production of various teaching tools: a documentary film, theater skits in national languages, a *boite à images* ("picture box") and posters.
- Several workshops on the role of civil society in combating corruption.
- Enlistment of the private press, which has reported numerous cases of embezzlement of public funds.
- Establishment within the *Agence Nationale de Lutte contre la Corruption et de moralisation des activités économiques et financières* ("National Agency to Combat Corruption and Bring Morality to Economic and Financial Activities," ANLC),<sup>9</sup> of a special office to receive complaints and other reports from individuals and businesses that are the victims, or simply have knowledge, of acts of corruption in government.

If bribery and similar practices that compromise the country's economic development are to be eradicated, effective mechanisms for internal and external control will have to be implemented. All acts of corruption that are brought to light must be punished.

### **(iii) Evaluation of public efforts.**

Evaluation activity has been focused on:

- Strengthening the National Coordination Committee, which provides the framework for cooperation among the various government departments and agencies, and identifying interlocutors in the context of studies and follow-up.
- Establishing regular meetings of senior officials from ministries to evaluate work accomplished and decisions taken.

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<sup>9</sup> The ANLC replaces the Anticorruption Committee.

Much remains to be done to make more effective and operational the various monitoring and evaluation institutions and to develop and implement a coherent program for training managers, based on a systematic evaluation of their needs and performances.

**(iv) Security.**

The police forces at the national and local levels, private security firms, and neighborhood volunteers have all been working to enhance public security, yet robbery, rape, theft and armed attacks persist. To reverse this trend, the following problems will have to be addressed:

- The weakness of infrastructure and equipment.
- The inadequate number of police officers: there is only one for every 1,452 inhabitants, compared to an international norm of one for every 200 people.
- Low skills and awareness levels of police officers.
- Faulty organization of security services.
- Lack of clear guidelines governing the relationship between the different players: between the national police and the local police, and between the national police and the security firms.

**3.2. Strengthening the institutional and human framework**

**(i) Transparency.**

A new radio and TV programming schedule was launched in 2004 to give all political parties access to the airwaves. The government has also made some progress towards creating private radio stations that will carry information on public issues and spark open debate and dialogue allowing for discussion, consensus-building and even disagreement.

To this end, an inter-ministerial committee has been created, chaired by the Minister of Regional Administration and Decentralization, as well as a technical commission expanded to include civil society, the National Assembly, and political parties. That commission has prepared the following documents:

- A draft decree to deregulate the airwaves.
- An order implementing that decree.
- Specifications for commercial radio and television stations.
- Specifications for community and cooperative radio stations.
- A draft convention on the establishment of private radio and television stations.

All these regulations are now in force and the specifications are available.

**(ii) The legal environment and justice.**

A law was adopted in 2004 to reorganize the legal profession in Guinea. The justice system, however, still faces a number of recurrent difficulties:

- The professions that make the justice system work, lawyers and bailiffs in particular, are heavily concentrated in the capital city, making it difficult to provide adequate legal assistance in the interior
- Administrative interference in the course of justice undermines the proper application of law and impedes effective enforcement of judicial decisions.

- Magistrates and justice auxiliaries have inadequate training in business law (standard rules under the OHADA treaty) and also in administrative law (for handling administrative disputes) and rulings in these fields are often arbitrary.
- The courts are so slow in their handling of many cases that plaintiffs are likely to abandon their cause.

### **(iii) Monitoring the management of public funds**

2004 saw the creation of technical departments with the mandate to clean up public affairs and to see that judicial sentences are effective. These include:

- The Audit Chamber of the Supreme Court, which is responsible for ex-post audits of budget execution and which must provide an opinion to Parliament on the budget review law (*loi de règlement*) and the year-end Treasury accounts (*comptes de gestion*).
- The National Anticorruption Agency (ANLC), replacing the National Anticorruption Committee (CNLC). Concerns have been expressed about the change in status of the CNLC: contrary to that committee, which enjoyed independence and reported directly to the President of the Republic, the new agency is part of a ministry, and has thus lost its autonomy.

Despite these new institutions, the management of public resources still suffers from corruption, which is one of the principal factors behind the poor performance in the handling of the country's public affairs.

**Good governance means exercising political, economic and administrative authority in ways that will ensure grass-roots participation, political stability, institutional development, and respect for human rights. Governance has constituted the weakest link in the first phase of implementing the PRSP. It is essential now that it be reinforced and made a central focus of the PRS, if all the objectives of that strategy are to be fulfilled.**

### **3.3. Recommendations**

To improve governance and to strengthen institutional and human capacities, the following actions are to be undertaken or reinforced:

#### **Legal and security issues:**

- Application of Constitutional provisions for the control of executive and administrative powers.
- Enforcement of the law, without discrimination, recognizing that all citizens have the same right to turn to the courts and to receive the same treatment, regardless of their social situation.
- Training for magistrates, particularly in business law.
- Strengthening the infrastructure and logistical means of intervention.
- Regulating the relationships between the national police, the local police, and private security firms.

#### **Corruption:**

- Awareness and information campaigns about corruption and the tools available for combating it.
- Promoting a climate in which people are ready to report instances of corruption, with adequate protection for whistleblowers against reprisals.
- Severe penalties for persons engaging in corruption.
- Incentives to resist corruption (higher salaries, performance bonuses, etc.)

### **Strengthening the capacity to monitor and manage public funds**

- Revitalize government-instituted oversight agencies to bring greater efficiency and morality to public management.
- Give local governments greater financial means and authorize them to set tax rates within limits established by law.
- Strengthen human resources by recruiting young graduates and assigning them to local government positions.
- Implement a nationwide training plan and reinforce forums for cooperation and consensus building between the public, the decentralized government agencies, elected officials, and representatives of civil society.
- Enhance participation by the public, NGOs, village associations and associations of people who have migrated to the cities but who maintain ties to their home village in formulating programs and in managing and monitoring community of local affairs.
- Prepare and harmonize simple planning tools for community development, for monitoring and evaluating investment programs, and for programming investments.
- Implement a communication strategy to foster wide-ranging debate and the exchange of information and views on poverty and ways to reduce it.

## **CHAPTER 4. MONITORING, EVALUATION AND COMMUNICATION**

### **4.1. Poverty monitoring and analysis**

*The objective is to monitor and report on poverty trends and the impact of poverty reduction programs and policies*

The detailed objectives are: (i) to create a Statistical Information System for Poverty Reduction (SISRP); (ii) to improve the knowledge base on HIV/AIDS; and (iii) to enlist the effective participation of all stakeholders in monitoring and evaluating the PRS.

The following activities were undertaken in pursuit of these objectives:

- Creation of a socioeconomic database and time series or “scorecard” for tracking the 123 indicators selected for monitoring the first phase of PRS implementation.
- Revision of these 123 indicators, reducing them to a core set of 56 indicators (Annex 5), based on the availability of information and the relevance of the indicators. These indicators still have to be harmonized with those of the Millennium Development Goals in the course of preparing PRSP II.
- An inventory of studies and data relating to poverty and sustainable human development, and production of a CD-ROM containing the various publications on poverty.
- Preparation of the first progress report on PRS implementation.

- Production of a poverty map of Guinea based on a list of 14 indicators (see Poverty Map)<sup>10</sup>.
- Processing of data from the EIBEP survey in order to update the poverty database and establish a benchmark for monitoring and evaluating PRS performance (see annexed Poverty Map).
- Preparation of the second national report on progress towards the Millennium Development Goals.
- Training for some 40 persons from the civil service, civil society organizations and national institutions in monitoring and evaluation with help from GTZ (the German technical cooperation agency), and creation of the Guinean Association of Evaluators (AGEVAL).
- A baseline survey (ESB) in the sustainable social development project zone in Haute Guinée and Moyenne Guinée, covering 49 CRDs and eight CUs for 4,230 households, of which 2,130 are in Haute Guinée.
- Establishment of a web site at the National Statistics Office, which will be connected with that of the PRS Permanent Secretariat in order to facilitate exchanges between the stakeholders involved in combating poverty.

#### **4.2. Institutional framework**

A project to reconstitute the thematic groups for the review and preparation of PRSP II was launched in 2004. Of the nine thematic groups that helped with the drafting of PRSP I, three are now back in action. These are the thematic groups on macroeconomics and support for growth sectors; on development and sustainable access to basic services; and on governance and institutional and human capacity building.

These three groups will serve to bolster the already operational thematic group on monitoring and evaluation. All four groups are made up of government officials and representatives of civil society organizations and national institutions. A Communication and Culture Unit and a Technical Unit are also included in the institutional architecture for implementing the PRS. This institutional arrangement is coordinated by the SP/SRP, which serves as executive secretariat to the PRS Inter-ministerial Committee (Annex 8).

PRS monitoring committees are also planned at the regional and prefecture levels, but they have yet to be made operational.

#### **4.3. Communication activities**

To strengthen ownership of the PRS at the grass-roots level and among policymakers, and to support development and the struggle against poverty in Guinea, the Communication Unit adopted a plan of action that included activities relating to communication and culture as well as training. Those activities were intended to generate feedback that could be analyzed as input for making the strategy more iterative and helping policymakers take better decisions for implementing the strategy. Because of financial constraints, not all of these communication activities have yet begun. Nevertheless, the Communication Unit has

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<sup>10</sup> In contrast to the former poverty map, the new map is based on 14 indicators, the final two indicators from the first list having been merged. These 14 indicators are listed on the poverty map.

continued to publish the bimonthly newsletter on the PRS (*Journal de la SRP*) and it has prepared a national-language glossary of essential concepts used in the strategy, with the cooperation of the GTZ. Publication of that glossary is planned for 2006.

Traditional communicators have also been enlisted in the communication and participation effort, right down to the local level, i.e. the Rural Development Communities (CRDs) and the Districts. In this context, the Permanent Secretariat for the PRS sponsored a training workshop on September 12 and 13, 2004, in Mamou and Kankan, bringing together 42 communicators from all the prefectures and from rural radio stations to share with them the contents and mechanisms of PRSP implementation. Subsequently, each communicator traveled to four CRDs in his home prefecture to pass on the content of this training to grassroots groups and to encourage them to commit themselves, with the necessary motivation and effectiveness, to implementing the PRS. The next evaluation will provide an opportunity for assessing the impact of this activity on its target groups.

Focal points are also being set up at the region, prefecture, commune and community levels in order to promote local participation by civil society and grassroots groups in the iterative process of sharing information and implementing the PRS.

Despite these activities, the Technical and Communication Units of the SP/SRP have run into severe difficulties, including financial constraints, which have impeded capacity building efforts for sectoral monitoring and evaluation and have delayed the thematic analyses of poverty as well as the process of finalizing the regional strategies.

#### **4.4. Recommendations**

While it is useful to have a limited number of impact indicators at the national level, it is essential to have intermediate indicators for tracking activities more closely at the sectoral and decentralized levels.

Within Guinea, there is a great discrepancy in the degree to which indicators have been developed. The ministries of education and health, for example, have well-organized information systems, while in other priority sectors, such as urban planning and housing, social affairs and tourism, the ministries have no databases. This lack affects their performance and prevents them from seizing all the opportunities for growth and development.

In order to establish a coherent information system and to improve monitoring and evaluation of PRS implementation, the following steps are recommended:

- Strengthen the system of national indicators, which is also used to evaluate international objectives, with trend charts for the sectoral departments and the decentralized services.
- Strengthen the human, material and technical capacities of the statistics offices for the priority sectors.
- Strengthen the human, material and technical capacities of bodies responsible for monitoring and evaluation of the PRS at the region and prefecture levels.
- Adopt a standard evaluation format for poverty reduction projects and programs.
- Conduct a sample household survey every two years to track living standard trends.
- Strengthen the SP/SRP by giving it the financial, human and material means to monitor PRS implementation.

- Involve the Permanent Secretariat in monitoring budget implementation for priority sectors, in order to ensure that sector policies are consistent with PRS objectives.
- Develop a communication strategy as a means of keeping all stakeholders well informed and optimizing their participation.

## **LESSONS LEARNED FROM IMPLEMENTATION**

As the single, common framework for the efforts of all stakeholders in Guinea's socioeconomic development, the PRSP constitutes in effect the country's economic and social development plan. In this light, the present report relates to nearly all government interventions, whether or not they are financed with HIPC resources.

The foregoing review of PRSP implementation shows that efforts have been made to stabilize the macroeconomic framework, strengthen decentralized management, control public spending, and deliver social services and basic infrastructure. It must be recognized, however, as Table 20 indicates, that at the conclusion of this implementation the macroeconomic variables have in fact deteriorated.

As was the case in 2002 and 2003, the macroeconomic framework continued to deteriorate in 2004. Performance in terms of budget execution and resource mobilization was disappointing. This situation was not conducive to making any significant reduction in the incidence of income poverty (creating jobs, raising incomes, etc.) or to providing the Guinean people with decent access to basic social infrastructure and services, consistent with PRSP objectives.

The 2002/03 EIBEP results show that the population living below the poverty threshold declined from 62.6 percent in 1994 to 49.2 percent in 2002, and that 19.1 percent of these people lived in extreme poverty. In regional terms, the incidence of poverty in urban areas was 23.5 percent in 2002, and 59.9 percent in rural areas, compared with 17.5 percent and 82.1 percent respectively in 1994. Thus there was a significant reduction in poverty over the period 1994-2002. This positive trend denotes a reduction in inequality between rural and urban areas, although poverty remains an essentially rural phenomenon.

On the other hand, poverty index estimates using the SimSIP model (Simulation for Social Indicators and Poverty) show that poverty could rise from 49.2 percent in 2002 to 53.6 percent in 2005.

Among the factors explaining this situation are: lack of consistency between the budget and the PRSP; weak mobilization of domestic resources, mismanagement of public spending, a slowdown in growth, and a steadily rising budget deficit; a clear worsening of inflation, a growing domestic public debt, a heavy buildup of arrears, and the prevalence of corruption.

It is essential therefore to address these recurrent and interdependent problems that led to the suspension in 2002 of the PRGF (Poverty Reduction and Growth Facility) program. That suspension deprived the country of anticipated external assistance and moved it further away from reaching the completion point for the PRGF, achievement of which would have made Guinea eligible for HIPC funding in the order of US\$185.5 million. Without these funds, and without significant financial and technical support from our partners, our country is unlikely to achieve its PRSP objectives and those of the Millennium Development Goals by 2015.

It is urgent, therefore, to institute appropriate policies and measures to restore progress towards poverty reduction objectives. Those policies and measures can be classified as follows:

**(i) Restore the macroeconomic framework and revive growth**

- Institute greater budgetary discipline and more substantial allocations to priority sectors.
- Pursue a strict fiscal policy.
- Encourage private sector involvement in the management of basic infrastructure.
- Strengthen implementation of the Integrated Trade Framework.
- Revive the MTEF units in priority sectors.
- Reconcile the national budget with PRS objectives.
- Provide substantial support to growth sectors in order to diversify and upgrade activity in mining and in key non-mining sectors: agriculture, livestock, fisheries, tourism, crafts and construction.

**(ii) Equity and access to social services:**

- Pursue implementation of the Education For All Program and strengthen the reforms undertaken to improve education indicators.
- Continue implementation of the national health development plan, in particular: decentralizing the health system, strengthening health coverage, and improving the supply and use of health care services.
- Strengthen and publicize the legal framework for the protection of children, women, the elderly and the handicapped.
- Promote community-based care for small children and children orphaned by AIDS.
- Promote access to decent housing, safe drinking water and adequate sanitation, particularly for the poorest.

**(iii) Governance and institutional strengthening**

- Strengthen budgetary decentralization and the financing powers of local governments.
- Transfer effective public procurement powers to the regions and prefectures.
- Sensitize and inform the general public about corruption and the existing tools for combating it.
- Apply severe penalties to persons engaging in corruption, and introduce incentives for resisting corruption (higher salaries, performance bonuses, etc.).
- Reinforce controls over the quality of expenditure and of activities in the field.
- Revitalize the oversight bodies established by the government in order to raise ethical standards in the management of public finances.
- Introduce programs for strengthening capacities at the sectoral level and at the subnational government level.
- Enhance the involvement and participation of civil society in the formulation, management and monitoring of specific programs and projects for poverty reduction.
- Harmonize grass-roots interventions and planning tools.
- Introduce a communication strategy to enhance cooperation and the sharing of information.

In conclusion, it is not an exaggeration to say that only through strict application of all the provisions mentioned above will Guinea be able to make swift progress towards its objectives for growth and poverty reduction.

Table 20: Summary of PRS outcomes in Guinea

Objectives/Indicators	Benchmark	Goals set in the PRSP			Outcomes recorded		
		2002	2003	2004	2002	2003	2004
<b>Reduce the incidence of income poverty</b>							
Incidence of poverty nationwide	62.6% (1995)	30% (2010)			49.20	50,0	50,1
Incidence of poverty in the rural areas	82.1% (1995)	38% (2010)			59.90		
<b>Increase incomes</b>							
GDP growth (% per year)	3.7 (1996/00)	5.2 (2002/05)			4.2	1,2	2,7
GDP growth per capita (%)	1.01 (1996/00)	1.9 (2002/05)			1.1	-1,7	-0.4
Investment rate (% of GDP)	16.2 (1996/00)	18 (2002/05)			12.8	16,1	8,9
<b>Preserve macroeconomic and financial stability</b>							
Inflation rate (% , average)	4.3 (1996/00)	3.5 (2005)			3.0	14,8	27,6
Inflation rate (% , year-on-year)					3.0	12,2	17,5
Overall fiscal balance (on a commitment basis, excluding grants, % of GDP)	-5.4 (2000)	- 3 (2005)			-6.2	-7,9	-5,9
Average external current account balance (excluding official transfers, % of GDP)	-6.0 (2000)	-4 (2005)			-6.3	-4,0	-5,0
<b>Sectoral objectives</b>							
<b>Develop the rural sector</b>							
Growth rate of agriculture (%/year)	5.3 (1997-99)	5.0 (2002/05)			6.0	3,9	3,5
<b>Improve the level of education</b>							
Gross primary enrolment ratio (%)	56.7 (1999/00)	70 (2004/05)			72.0	74,0	77,0
Gross enrolment ratio for girls (%)	44.3 (1999/00)	63 (2004/05)			63.0	67,0	70,0
Adult literacy rate (%)	36 (1998/99)	45 (2007)			38 (2003)		
<b>Improve health</b>							
Crude mortality rate ( per mil)	14.2 (1999)	12 (2005)			NA		
Infant mortality rate (per mil)	98 (1999)	70 (2005)			91 (2005)		
Maternal mortality rate (per mil)	528 (1999)	300 (2005)			NA		
HIV seroprevalence rate (%)	2-4 (1998)	<5 (2004/05)			1.5 (2005)		
Rate of immunization coverage, by antigen (%)							
BCG	82 (2000)	80	80	80	71	83	71
DTCP	43 (2000)	55	65	75	58	65	63
VHB	-	05	20	35	-	-	67
VAR	40 (2000)	55	65	75	61	70	60
VAA	-	20	30	40	17	33	77
VAT-2 +	38 (2000)	65	75	80	53	56	-
<b>Increase access to drinking water</b>							
Population with access to drinking water (%)	49 (1999)	80 (2005)			64,3 (2002)		
Number of water supply points set up per year		800	800	800	749	658	291
<b>Sanitation</b> Construction of individual and public latrines and sewage treatment plants		300 830	600 1,170	600 1,000	2535 individual latrines; 33 public latrines; 2 dumping stations; 3 treatment stations (2002/2004)		
<b>Improved transportation conditions</b>							
Road density (km/100 km <sup>2</sup> )	2.7 (1997)	2.9 (2003)			2.8 (2003)		
Percent of the network in good condition	25 (1997)	36 (2003)			30 (2003)		
<b>Rural roads</b>							
Road maintenance (km)		2,150	1,800		2,577	650	689
Road repair (km)		500	500		138	457	678
Construction of crossings (m)		800	800		711	588	
<b>Increase access to electricity</b>							
Rate of access to electricity (%)	16.4 (1999)	39.4 (2005)			18.8 (2002)		

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ANNEXES

**Annex 1: WAMZ Convergence Criteria and HIPC-financed Spending**

Table 1. Guinea's performance against the WAMZ Convergence Criteria

	Convergence criteria	WAMZ targets	Performance
<b>Primary criteria</b>			
1	Budget deficit excluding grants	<or =4% of GDP 2003 – 2004	5.9% of GDP at end December 2004
2	Financing of the budget deficit by the BCRG	<or = 10% in 2003	27.3% current revenues in 2003
3	Inflation rate	<or= 5% year-over-year	27.6% at end December 2004
4	Foreign exchange reserves	>or= 3 months' imports 2003-2004	1.3 month's imports
<b>A. Secondary criteria</b>			
5	Wage bill as a proportion of tax revenues	< 35%	29.4%
6	Domestic arrears	< 0	5 billion GNF in December 2004
7	Tax revenues/GDP	>or = 20%	11% of GDP at end December 2004
8	Depreciation of the GNF	<or = 0.5%	27.5%
9	Real interest rate	0%	- 19.2%
10	Domestically financed investment/current revenues	>or = 20% of tax revenues	16.1% of current revenues

Source MEF/BCRG/Note de conjoncture économique/ February 2005

Table 2. HIPC-financed spending, in GNF billions

Sectors	Wages & Salaries	Other Goods & Services	Subsidies & Transfers	Investment	TOTAL
Justice				27	27
Agriculture					
Public Works				2,514	2,514
Housing					
Health		2,171	1,587	2,232	5,990
Social Affairs	280	10			290
MEPU/EC	19,488	4,297		6,213	29,998
Water				892	892
Fisheries				92	92
Joint expenditures		33			33
<b>TOTAL</b>	<b>19,768</b>	<b>6,511</b>	<b>1,587</b>	<b>11,970</b>	<b>39,836</b>

*Annex 2*

***Mining Projects in Preparation***

<b><i>Indicators</i></b>	<b><i>Performance</i></b>	<b><i>(%)</i></b>
<b><i>Purchase of data from Levé Géophysique Aéroporté by Géosurvey</i></b>	A second agreement on interpretation and marketing as well as training has been signed with AMTEC, "Resource Management", a subsidiary of Geosurvey	100
<b><i>Evaluation of bauxite potential</i></b>	This study shows cumulative reserves of 40 billion tons of bauxite	100
<b><i>Evaluation of potential for other substances (gold, diamonds, iron)</i></b>	Work continues, with a final evaluation of the Nimba and Simandou iron deposits, and prospecting for other substances	50
<b><i>Updating of old geological maps</i></b>	Harmonization with the new SIGM digital maps	30
<b><i>Further studies for implementing the Transguinée</i></b>	Every member of the tripartite committee (Guinean Government, Rio Tinto, and Euronimba) has signed the implementation protocol, and studies continue	20
<b><i>Further studies on exploitation of the Simandou iron deposits</i></b>	Initial work has revealed preliminary reserves of 1,300,000,000 t and the project is now at the reserves certification phase.	30
<b><i>Further studies on exploitation of the Nimba iron deposits</i></b>	The project is at the final reserves evaluation stage	-
<b><i>Domestic and external prospecting for funding for the Cogon rehabilitation project</i></b>	Under way. Funding will be sought after the initial SNC LAVALIN studies	-
<b><i>Finalization of the Statutes of COBAD (Compagnie des Bauxites de Diandian)</i></b>	The future mining concession was recently defined	100
<b><i>- External promotion and domestic awareness raising</i></b>	Several companies interested, including Marubeni and Mitsubishi	100
<b><i>- Negotiation and signature of the Basic Contract with Global Alumina Project Corporation</i></b>	The government has signed the contract, and it is now before the National Assembly.	90
<b><i>- Feasibility study for the Plant</i></b>	Partner ALCOA is now studying the site for the alumina plant	25
<b><i>- Update of the feasibility study</i></b>	Under way	-
<b><i>- Rehabilitation of the Débélé - Dogomet railway</i></b>	Under study	-
<b><i>Negotiation of a mining concession for the steel plant project at Forécariah</i></b>	The Turkish partners are examining the concession project	80
<b><i>Prospecting and evaluation of iron deposits at Sambalama and Yomboéli</i></b>	The government is awaiting the prospecting plan with the Turkish partners	10
<b><i>Feasibility study for the Plant</i></b>	This project, which requires financing of US\$80 million, is in its final phase.	25
<b><i>Startup of the project to extend the SMD Plant and mine</i></b>	The company has arranged financing of US\$150 million for this extension, and the studies have already been completed	30
<b><i>Installation of a diamond cutting facility</i></b>	This facility will allow Guinea's gemstones to be developed	90
<b><i>Forum on the Mining Sector</i></b>	6 Mining ministers and more than 200 leading mining experts took part in this forum.	100
<b><i>Preparation of a procedural guide on Mining administration</i></b>	Under way	-

*Annex 3*

***Corruption Index by Ministerial Department***

<b>Rank</b>	<b>Ministries</b>	<b>Index (%)</b>
1	Urban Planning and Housing	64
2	Civil Service and Employment	43
3	Youth, Sports and Culture	42
4	Interior and Decentralization	42
5	Security	40
6	Social Affairs, Advancement of Women and Children	39
7	Pre-University and Civic Education	36
8	Water Management and Energy	36
9	Public Works and Transportation	36
10	Communication	35
11	Justice	34
12	Economy and Finance	33
13	Mining, Geology and Environment	33
14	Agriculture, Livestock, Water and Forests	32
15	BCRG (central bank)	30
16	Islamic League	30
17	Fisheries and Aquaculture	29
18	Commerce, Industry and SMEs	28
19	Planning	27
20	Public Health	23
21	Technical Education and Vocational Training	22
22	NGOs	22
23	Office of the President	21
24	National Institutions	21
25	Higher Education and Scientific Research	21

Source: *National Survey on Corruption and Governance in Guinea (ENACOG-2003)*

**Annex 4: Donor financing of the PEV/SSP/ME in 2004 (in GNF)**

<b>Donors</b>	<b>Amount allocated</b>	<b>Amount disbursed</b>	<b>Performance rate</b>
<i>Govt. of Guinea</i>	1,250,000,000	22,200,000	2%
<i>Communities</i>	648,653,791	648,653,791	100%
<i>UNICEF</i>	253,572,608	253,572,608	100%
<i>WHO</i>	1,589,381,680	1,589,381,680	100%
<i>ARIVA</i>	233,781,819	233,781,819	100%
<i>GAVI</i>	643,176,000	643,176,000	100%
<i>PSS/GTZ</i>	2,400,550	2,400,550	100%
<i>SIDA 3</i>	2,155,725	2,155,725	100%
<i>Rotary International</i>	660,320,500	660,320,500	100%
<b>Total</b>	<b>5,073,600,618</b>	<b>3,197,146,827</b>	<b>63%</b>

Source: Coordination PEV/SSP/ME

**Annex 5: PRS Monitoring and Evaluation indicators**

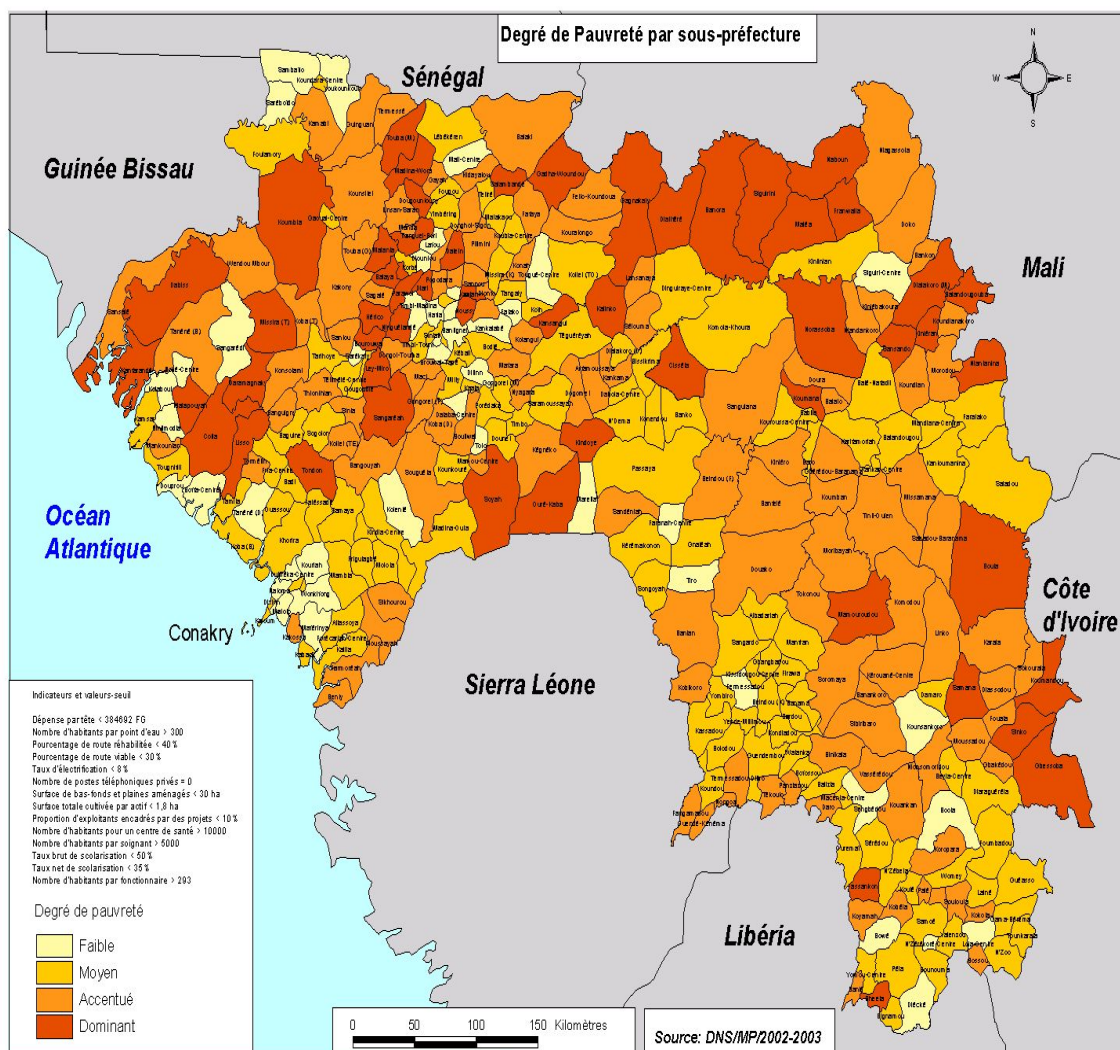
	<b>Indicators</b>	<b>Unit</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
<b>ACCELERATION OF GROWTH</b>						
1	<i>Debt service as a percentage of goods and services exports</i>	%	16.8	20.7	19.4	20.1*
2	<i>Proportion of non-mining revenues in current government revenues</i>	%	81.0	86.0	82.5	
3	<i>Budget deficit excluding grants (commitment basis) as percent of GDP</i>	%	6.2	7.9	5.9	
4	<i>Average inflation rate</i>	%	3.0	12.9	17.5	
5	<i>Year-on-year inflation rate</i>	%	6.1	14.8	27.6	
6	<i>BCRG financing of the budget deficit (%)</i>	%	61.8	40.1	27.3	
7	<i>Growth of GDP/capita</i>	%	1.1	-1.7	-0.4	-0.3*
8	<i>Public investment rate</i>	%	3.5	3.7	2.9	2.7*
9	<i>Private investment rate</i>	%	8.8	6.3	5.6	6.2*
10	<i>National roads in good condition</i>	%	NA	NA	NA	
11	<i>Number of rural roads maintained</i>	KM	2677	650	318.2	
12	<i>Number of rural roads built</i>	KM	138.0	457.0	678.0	
13	<i>Growth rate in the agricultural sector</i>	%	6.0	3.9	3.5	
14	<i>Livestock vaccination rate (bovine pleuropneumonia)</i>	%	48.2			
15	<i>Share of agricultural exports in total exports</i>	%	6.4	6.8	6.9	
16	<i>Unemployment rate</i>	%	3.2			
17	<i>Rate of access to electricity</i>	%	18.8			

	<b>Indicators</b>	<b>Unit</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
<b>DEVELOPMENT AND EQUITABLE ACCESS TO BASIC SOCIAL SERVICES</b>						
18	Households using electricity as main source of lighting (in %)	%	18.8			
19	Gross Enrollment Rate in primary education	%	72.0	74.0	77.0	
20	Gross Enrollment Rate in secondary education			27.9		
21	Net Enrollment Rate in primary education	%	57.0	60.0	62.0	
22	Net Enrollment Rate in secondary education	%		23.3		
23	Pupil/Teacher Ration in primary education		45	47	46	
24	Number of new classrooms built		3612	836	1372	
25	Adult literacy rate	%	28.8	29.1		
26	Girls/boys ratio in primary education	%	0.72	0.74	0.76	
27	Girls/boys ratio in secondary education	%	0.41	0.45	0.45	
28	Literacy rate for women 15 to 19 years compared to men	%	NA	NA	NA	
29	Malaria prevalence rate	%	8.6			
30	Infant mortality rate	‰	NA	NA	NA	91
31	Mortality rate for children under 5 years	‰	NA	NA	NA	163
32	BCG vaccination coverage rate	%	71	83	71	
33	DTCP3 vaccination coverage rate	%	58	65	63	
34	VAR vaccination coverage rate	%	61	70	60	
35	VAA vaccination coverage rate	%	17	33	77	
36	VAT-2+ vaccination coverage rate	%	53	56	-	
37	Maternal mortality rate (100,000)	‰00	NA	NA	NA	
38	Proportion of professionally assisted childbirths	%		23.3		
39	Percentage of underweight children under 5 years	%	NA	NA	NA	35.0
40	Number of integrated and operational health centers		371	391	395	
41	Number of integrated and operational health posts		384	515	604	
42	HIV/AIDS prevalence rate	%	NA	NA	NA	1.5
43	HIV/AIDS prevalence rate among pregnant women ages 15 to 24 years	%	NA	NA	NA	
44	Households with access to safe drinking water (%)	%	62.0	75.7		
45	Number of boreholes drilled		741	646	291	
46	Number of wells dug		8	12	-	
47	Number of watering places developed		-	-0	-0	

	<b>Indicators</b>	<b>Unit</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
<b>GOVERNANCE AND HUMAN AND INSTITUTIONAL CAPACITY BUILDING</b>						
48	<i>Proportion of CRDs without S&amp;L</i>	%	NA	NA	NA	
49	<i>Proportion of seats in Parliament held by women</i>	%	19.3			
50	<i>Number of neighborhood police stations established</i>		NA	NA	NA	NA
51	<i>Number of civil society organizations created</i>		NA	NA	NA	NA
<b>POVERTY AND HUMAN DEVELOPMENT</b>						
52	<i>Incidence of income poverty ( %)</i>	%	49.2	50.0	50.1	53.6
53	<i>Proportion of population with sub-minimum calorie intake (Extreme poverty)</i>	%	8.1			
54	<i>Proportion of population living on less than 1 dollar a day (PPA)</i>	%	NA	NA	NA	
55	<i>Poverty depth</i>	%	17.2	17.6	17.5	19.3
56	<i>GINI index</i>		0.40			
<b>NA= not available; *= Estimated data</b> <i>For Education indicators, for example 2003-2004 (October 2003-June 2004)=2004.</i>						

## Annex 6: Poverty Maps

### Degree of Poverty by Subprefecture



Source: DNS/MP/2002-2003

## **ANNEX 7. GUINEA: MEDIUM-TERM MACROECONOMIC FRAMEWORK**

The PRSP, adopted by the government and approved by the IMF and the World Bank in 2002, constitutes the principal frame of reference for all parties in the country's socioeconomic development: government, civil society, and development partners.

### **I. Principal macroeconomic goals of the PRS**

The main macroeconomic goals of the strategy for 2002-2005 were:

- To achieve an average annual GDP growth rate of 5.2 percent in real terms, compared with 3.7 percent between 1996 and 2000. This translates into average growth in per capita GDP of 1.9 percent per year between 2002 and 2005.
- To reduce the inflation rate from 7 percent in 2001 to 3.5 percent by 2005.
- To raise the level of the central bank's official exchange reserves to the equivalent of six months' non-mining commercial imports in 2003.

### **II. Economic outcomes from PRS implementation**

Implementation of the PRS over the period (2002-2005) produced macroeconomic results that fell far short of targets.

- Real GDP growth declined from 3.7 percent on average for the period 1996-2000 to 3 percent for the period 2001-2005, while inflation accelerated, reaching 31.4 percent in 2005.
- The foreign-exchange reserves of the central bank declined to the point where they represented only 1.1 month of imports at the end of 2005, as compared with 2.7 months at the end of 2001.
- At the same time, the Guinean franc depreciated sharply against the major foreign currencies.

This situation reflects in large part the following factors:

(i) Inappropriate policies; (ii) deteriorating terms of trade, in particular falling prices for mining products and higher world prices for petroleum products; (iii) scarce external support in the form of budgetary assistance; (iv) supply problems in public electricity and water services; (v) low rates of private investment; and (vi) deterioration in the security environment in the subregion.

Faced with the steep deterioration of the macroeconomic framework at the end of 2004, the government took decisive steps in 2005 to reverse this trend.

Under the staff-monitored program with the IMF, it introduced restrictive budgetary and monetary policies and in March 2005 it liberalized the foreign-exchange market. As well, it took steps to improve the environment for the private sector, especially in the areas of transparency (joining the transparency initiative in the extractive industries), strengthening governance in public finance, banking supervision, and the campaign against corruption. Moreover, the government adopted plans for combating fraud in water and electricity supply, and for privatizing certain public assets.

Under the impact of these measures, the economic results improved. GDP growth recovered from 2.7 percent in 2004 to 3.3 percent in 2005. Most of the quantitative and structural targets of the program were met.

Despite these positive results, inflation and the continued depreciation of the Guinean franc remain grounds of concern that the government will have to address in order to reduce poverty in Guinea.

### **III. Medium-term economic policies**

In 2006, the Government intends to consolidate the progress made in 2005, to reinforce policies and structural reforms in order to make the macroeconomic framework viable and to accelerate economic growth, so as to reduce poverty.

Government efforts will be focused on the following themes:

- (a) Increasing the tax pressure from the low levels of recent years, in particular by strengthening the tax and customs administrations, rationalizing all exemption schemes, controlling goods in transit and those covered by customs exemption schemes, and reducing tax evasion.
- (b) Improving public expenditure management, in particular by enforcing budgetary procedures, strengthening internal and external budgetary control units, adopting the program budgeting approach to improve expenditure quality, continued reform of the procurement system, and improving the execution of budget allocations to priority sectors.
- (c) A restrictive monetary policy focused on controlling the growth of the monetary base, making greater use of indirect instruments for managing bank liquidity, moving further with the unification and liberalization of the foreign-exchange market, gradual deregulation of interest rates, and reinforcement of banking supervision.
- (d) Continued disengagement of the State from productive activities, and improvement in the business climate through targeted structural reforms, construction and upgrading of basic infrastructure, improved delivery of public services, and reinforcement of good governance.
- (e) Stronger coordination of policies and program monitoring mechanisms.

### **IV. Main macroeconomic goals for 2006-2008**

Over the medium term, the main macroeconomic goals that the government will pursue are the following:

- Achieve a 5.5 percent average annual growth rate of real GDP.
- Reduce inflation from the annual average of 24 percent in 2006 to 6 percent in 2008.
- Increase the central bank's foreign-exchange reserves from 1.6 months' imports in 2006 to 2.5 months by 2008.
- Limit the budget deficit (excluding grants) to 0.3 percent of GDP in 2006 and achieve a positive overall fiscal balance, excluding grants, as from 2007.
- Increase the tax ratio from 13.7 percent in 2006 to 14.8 percent in 2008 and limit total expenditure as a share of GDP to about 14.5 percent for the period 2007-2008.
- Contain the expansion of the monetary base to halt inflationary pressures.

## V. Spending in priority sectors

The share of priority spending in total expenditure increased from 24.2 percent in 2005 to 24.6 percent in 2006, despite the heavier weight of debt servicing in the 2006 budget.

Yet with the expected conclusion of a formal program supported by the Poverty Reduction and Growth Facility (PRGF), with as a corollary the achievement of the completion point under the HIPC Initiative, the allocation of funding to priority sectors, in particular pre-university education, health, basic infrastructure, and village water supply, should reach higher levels.

### Priority Spending, 2002-2005

Billions of GF	Achievements 2002	Achievements 2003	Achievements 2004	Achievements 2005	2006 Budget promulgated
PRIORITY SECTORS					
JUSTICE	4 937 683	5 189 477	3 757 338	5 705 215	7 062 040
AGRICULTURE & LIVESTOCK	39 475 825	36 156 504	46 054 148	46 017 200	57 748 400
FISHING & AQUACULTURE	3 590 930	3 159 658	3 341 434	5 346 371	10 251 730
PUBLIC WORKS	20 177 417	22 976 868	38 519 817	44 456 884	55 960 600
URBAN DEVELOPMENT, HOUSING	2 507 640	3 518 691	17 268 113	75 692 677	59 548 660
PUBLIC HEALTH	49 136 295	39 214 862	26 216 858	44 052 852	66 743 990
SOCIAL AFFAIRS, ADVANCEMENT OF WOMEN AND CHILDREN	3 618 843	3 538 464	3 935 647	5 318 056	9 204 990
PRE-UNIVERSITY AND CIVIC EDUCATION	93 913 066	102 638 320	96 855 946	130 956 397	159 298 330
TECHNICAL AND VOCATIONAL EDUCATION	12 806 902	13 645 119	10 113 661	12 759 893	15 464 190
HIGHER EDUCATION AND SCIENTIFIC RESEARCH	14 791 177	15 996 347	17 017 991	27 382 840	39 441 680
WATER AND ENERGY	4 293 288	11 023 660	10 439 225	675 921	18 421 000
Common expenses	0	0	0	18 235 772	19 425 000
Total priority spending	249 249 066	257 057 970	273 520 178	416 600 077	518 570 610
Total spending	1 153 000 000	1 383 900 000	1 464 065 108	1 724 953 749	2 109 104 040
Priority spending as a percent of total spending	21.6%	18.6%	18.7%	24.2%	24.6%

*It should be noted that total expenditure in the preceding table includes externally-financed investment expenditure (FINEX), whereas priority expenditure is calculated excluding FINEX. Similarly, total expenditure in the government flow of funds table (TOFE) includes interest on the debt. For these reasons, the following time series should also be taken into account:*

Billions of GF	Achievements 2002	Achievements 2003	Achievements 2004	Achievements 2005	2006 Budget promulgated
Total priority spending	249 249 066	257 057 970	273 520 178	416 600 077	518 570 610
Spending excl. FINEX	866 766 960	1 087 821 971	1 201 196 108	1 424 053 749	1 731 995 040
Priority spending as a percent of total spending excl. FINEX	28.8%	23.6%	22.8%	29.3%	29.9%

Billions of GF	Achievements 2002	Achievements 2003	Achievements 2004	Achievements 2 005	2006 Budget promulgated
Total priority spending	249 249 066	257 057 970	273 520 178	416 600 077	518 570 610
Spending excl. FINEX, excl. interest	761 491 167	935 160 210	976 256 458	1 094 896 938	1 339 812 880
<b>Priority spending as a percent of total spending excl. FINEX, excl. interest</b>	<b>32.7%</b>	<b>27.5%</b>	<b>28.0%</b>	<b>38.0%</b>	<b>38.7%</b>

### *VI. Structural measures planned for 2006*

In 2006, the following reforms are planned for improving the macroeconomic framework:

- (i) Strengthening good governance and combating corruption, including reinforcement of the National Anticorruption Agency (ANLC) and the promulgation of new laws to combat corruption and money-laundering.
- (ii) Introduction of new regulatory frameworks in the telecommunications sector, to enhance the efficiency of that sector and to stimulate investment.
- (iii) Continued efforts to develop and improve access to basic social services: education, health, drinking water, and sanitation.
- (iv) Stepped-up transparency and strengthening of the legal and regulatory framework governing private investment in the mining sector.
- (v) An inventory of public service staffing levels.
- (vi) Adoption of a master plan for the national statistics system, designed to bring about notable improvements in the quality of macroeconomic statistics, and to produce appropriate poverty indicators.
- (vii) Deepening of the government disengagement program.
- (viii) Intensification of the structural reform program.
- (ix) Consolidation and reinforcement of macroeconomic policies in order to achieve lasting macroeconomic stability.

### **VI. Conclusion**

Proper implementation of these budgetary and monetary measures, as well as the structural measures noted above, will allow Guinea to make major progress in reducing poverty.

The risks related to this program are:

- A continued price increase in petroleum products;
- Deterioration in the security environment in the subregion (the Côte d'Ivoire crisis, in particular);
- Delay in improving the supply of water and electricity.

### Macroeconomic Framework, 2003-09

	2003	2004	2005	2006	2007	2008	2009
<b>Growth</b>							
GDP (at constant prices, percentage change)	1.2	2.7	3.3	5.1	5.4	5.9	5.1
GDP per capita (at constant prices, percentage change)	-1.6	-0.2	0.4	2.1	2.5	2.9	2.2
Consumption per capita (percentage change)	1.7	-1.9	-9.6	-1.3	4.1	4.3	5.3
GNP per capita (in USD)	398.6	421.8	340.1	322.3	339.0	355.0	370.0
GDP per capita (in USD)	402.9	428.2	345.2	326.4	342.6	359.0	374.2
<b>Prices</b>							
Consumer prices (average, percentage change)	12.9	17.5	31.4	24.3	9.4	6.0	5.0
GDP Deflator (percentage change)	12.3	21.6	28.8	18.6	7.6	4.8	4.1
<b>Broad money</b>							
Broad money, in percent of GDP	1083.3	1484.6	2036.8	2421.3	2803.9	3166.2	3518.6
Exchange Rate (GNF/USD)	15.0	16.5	17.0	16.2	16.5	16.8	17.1
Depreciation Rate (to USD)	1986.0	2267.9	3640.0	4660.0	4895.1	5040.1	5141.0
Exchange Rate (GNF/Euro)	0.5	14.2	60.5	28.0	5.0	3.0	2.0
Depreciation Rate (to Euro)	2245.8	2819.7	4534.6	5520.3	5810.2	6002.8	6135.4
Nominal Effective Depreciation Rate	20.4	25.6	60.8	21.7	5.3	3.3	2.2
Gross Foreign Assets (end-year, USD mln)	12.5	21.0	60.7	24.3	5.2	3.2	2.1
Gross foreign assets, in months of import of GNFS	113.5	92.3	98.9	134.9	184.8	249.9	303.1
	1.2	0.8	1.1	1.6	2.0	2.5	2.7
<b>Savings and Investment (in percent of GDP)</b>							
National Savings	6.8	5.7	9.0	10.6	11.2	11.4	10.5
Gross Investment	10.2	11.3	13.9	15.1	16.0	17.7	18.6
Public Investment	4.4	3.9	3.3	3.4	3.3	3.4	3.5
Private Investment	5.7	7.3	10.6	11.7	12.7	14.3	15.1
Incremental capital output ratio (ICOR)	6.90	3.51	2.83	1.85	1.85	1.91	2.35
<b>Budget (in percent of GDP)</b>							
Current Revenues	10.5	10.4	13.0	13.8	14.6	14.8	15.0
Current Expenditures	13.0	11.3	10.19	9.8	10.2	10.4	10.6
Capital Expenditures	6.3	5.0	4.2	4.3	4.2	4.3	4.4
Government Savings	-0.4	1.6	5.5	6.6	6.9	7.1	7.0
Overall Balance, commitment basis	-8.9	-5.9	-1.4	-0.3	0.2	0.0	-0.1
Primary Balance	-2.6	-0.4	3.9	4.9	5.1	5.1	4.9
Financing Gap	0.0	0.0	0.0	0.8	1.1	0.1	0.0
<b>Balance of Payments</b>							
Export of Goods, F.O.B. (percentage change)	3.3	1.2	4.8	8.9	7.3	1.5	2.5
Export of Goods, F.O.B. (in percent of GDP)	22.2	20.7	26.1	29.0	28.8	27.2	26.1
Import of Goods, C.A.F. (percentage change)	-12.5	23.1	3.9	8.0	13.2	8.2	9.7
Export-to-Import Ratio (in percent)	117.3	96.4	97.3	98.1	93.0	87.2	81.5
Balance of Goods and Services (in USD million)	-85.7	-164.7	-117.5	-114.1	-140.9	-208.0	-301.2
Current Account, excluding public transfers (in USD million)	-148.1	-232.1	-183.5	-170.3	-189.5	-260.7	-350.5
Current Account, excluding public transfers (in percent of GDP)	-4.1	-5.8	-5.6	-5.3	-5.5	-7.0	-8.8
Overall Balance (in USD million)	-138.2	-99.8	-19.2	-18.9	30.5	32.4	21.8
Overall Balance (in percent of GDP)	-3.8	-2.5	-0.6	-0.6	0.9	0.9	0.5
Financing Gap (in USD million)	0.0	0.0	0.0	24.0	21.2	10.9	15.7

**Macroeconomic Framework, 2003-09 (concluded)**

	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
<b>Debt</b>							
Public External Debt Service (USD million)	161.2	193.9	195.9	203.4	192.1	194.1	174.5
Public External Debt Service (in percent of export of goods and services)	20.0	23.6	22.8	21.9	19.3	19.1	16.7
Stock of public debt (USD million)	3364.09	3276.57	3220.483	3248.289	3300.72	3357.97	3404.331
Stock of public debt (in percent of GDP)	92.7	82.5	97.8	101.4	95.4	90.0	85.1
<b>GDP in current prices</b>							
GDP in current prices, GNF billion	7209.8	9004.1	11987.4	14931.1	16942.4	18806.0	20576.9
GDP in current prices, USD million	3630.3	3970.2	3293.2	3204.1	3461.1	3731.2	4002.5
<b>Population (million)</b>							
	9.01	9.27	9.54	9.82	10.10	10.39	10.70